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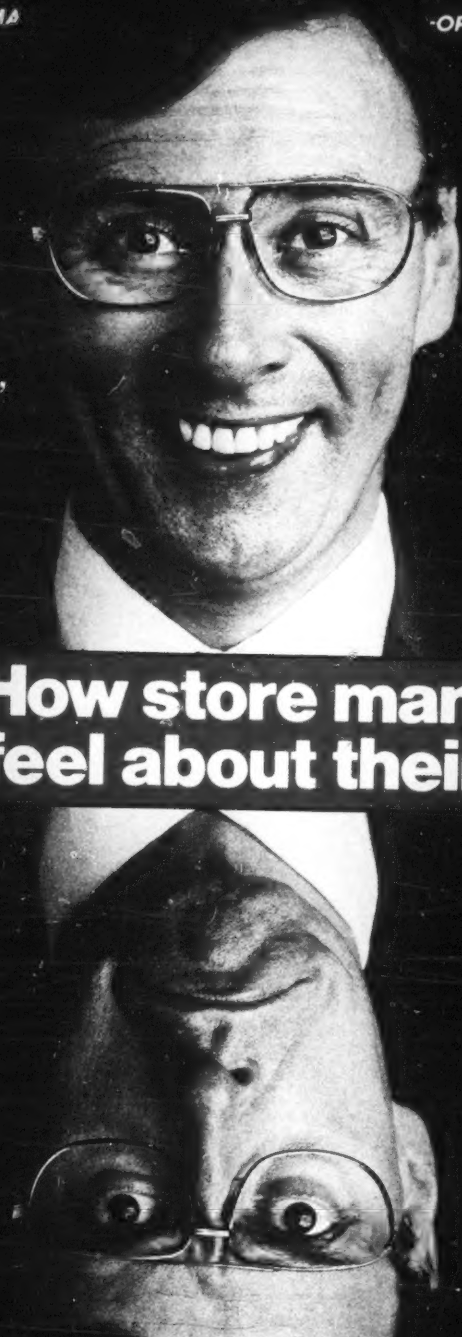
Meat: driving toward coding and centralized cutting

NUTRITION CENTERS

THE NEWSMA -OPS & VOLUNTARIES



"I like the challenge and responsibility..."

AN EXCLUSIVE SURVEY

How store managers feel about their jobs

"... but the long hours are killing me."

NTY EIGHT DOLLARS A YEAR (U.S.A.)

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Chain Store Age
Supermarkets
November 1982

the meat dept
smoked meat

Shoppers can expect more prepackaged, UPC-labeled beef, lamb, pork and poultry as centralized meat-cutting takes hold .... p. 71.

On the Cover

The success level of a supermarket is heavily dependent on the performance level of its managers. With this in mind, *CSA* probed the minds of the store's most valuable assets to learn how they feel about their jobs. The findings hold more than a few surprises **27**

Nutrition Centers

It's a $300 million department and mushrooming. *CSA* looks at what's behind the explosive surge, who's getting into the act and how they're doing it **31**

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In the face of continuing sales doldrums, industry operators are driving toward centralized cutting, prepackaging and coding to shore up the meat department **71**

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New employee-owned-and-operated stores are a unique answer to chain closings **24**

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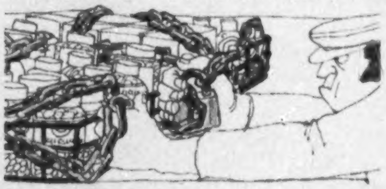

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Chain Store Age
Supermarkets

CSA *Exclusive Survey:*

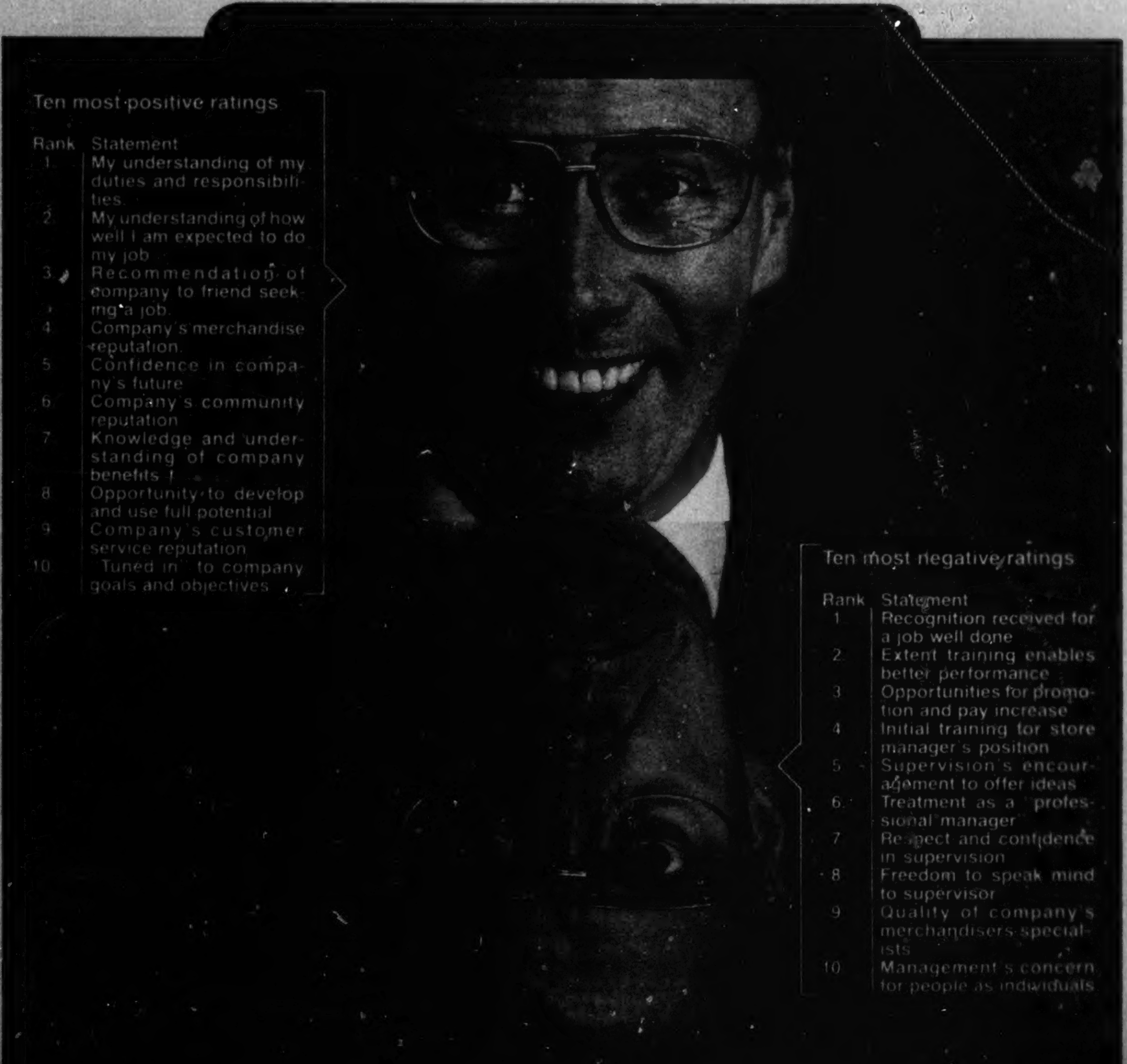
Store managers rate their jobs

Remember when a pat on the back and a five-buck raise was the quickest route to a store manager's heart? Well, take heed, top management: Inflation may have done a number on that dollar figure, but giving recognition for a job well done still ranks as the highest form of encouragement by the keepers of the nation's supermarkets.

Despite the increasing complexities of the role, a recent chain and independent store managers' survey reveals that the computer-age manager harbors the same cravings of his earlier counterpart: better treatment by his superiors. Monetary compensation aside, the respondents seem to be saying that its due time management made a deeper investment in the interests of those on the firing line.

Clearly, the store manager's biggest gripe is his work schedule. While the dawn-to-well-past-dusk aspect of the job hasn't changed much over the years, this growing distaste for long hours apparently stems from the fact that it contrasts sharply with the national trend; today's typical wage earner is clocking fewer hours for the same paycheck.

The work schedule tops the "dislikes" list, but job security is no less a serious concern of managers. And for good reason; the hectic pace of store closings over the past few years is enough to turn the cockiest employee into one filled with doubt.



Ten most positive ratings

Rank	Statement
1.	My understanding of my duties and responsibilities.
2.	My understanding of how well I am expected to do my job
3.	Recommendation of company to friend seeking a job.
4.	Company's merchandise reputation.
5	Confidence in company's future
6	Company's community reputation
7	Knowledge and understanding of company benefits
8	Opportunity to develop and use full potential
9	Company's customer service reputation
10	"Tuned in" to company goals and objectives

Ten most negative ratings

Rank	Statement
1	Recognition received for a job well done
2	Extent training enables better performance
3	Opportunities for promotion and pay increase
4	Initial training for store manager's position
5	Supervision's encouragement to offer ideas
6	Treatment as a "professional" manager
7	Respect and confidence in supervision
8	Freedom to speak mind to supervisor
9	Quality of company's merchandisers specialists
10	Management's concern for people as individuals

Store managers rate their jobs

Then there's the subject of money. Even accepting the fact that it's rare to find anyone totally satisfied with his or her compensation package, store managers indicate a particularly strong displeasure over the size of their bonuses. While slightly less than half the respondents bank over $3,000 above their annual salaries, 1 out of 5 managers receives less than $1,000 extra. And nearly as many—17%—operate without a bonus.

Before anyone in top management reacts to these findings, there *is* a positive side to the store manager's attitude toward his working environment and, to a limited extent, his superiors. When asked to name the three most gratifying elements of their jobs, "challenge," "freedom in operating store" and "responsibility" were mentioned more often than anything else. Not only does this emphasize the caliber of the managers, it also underlines the ability of management to establish the highest standards of performance.

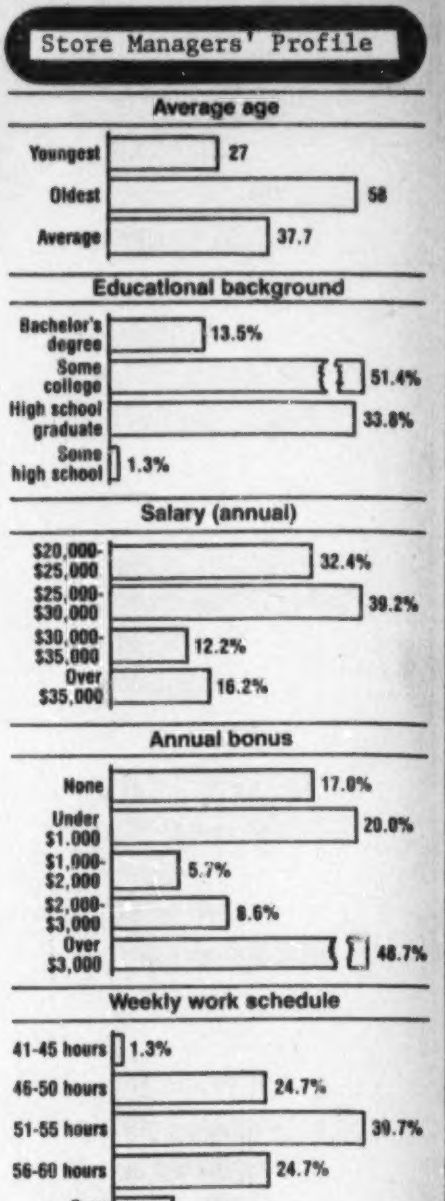
Tempering these revelations, though, are a few paradoxes. "Freedom in operating stores" is ranked No. 2 in the "likes" list—but it's also ranked a strong fifth in the "dislikes" column. And while "salary" ranks fifth on the positive side, it shows up sixth on the negative end. Why the conflicts?

It's possible that while managers appreciate the flexibility of their roles, they're not overjoyed with being accountable for how they utilize this freedom. The contradiction over salary, on the other hand, may reflect their job insecurity.

Behind the survey

This study, printed exclusively in Chain Store Age Supermarkets, *was independently undertaken by Herbert Zandler, a supermarket industry consultant who previously served as vice president-director of human resources and management development for Food Fair (now Pantry Pride). It is based on questionnaires received from store managers in 15 states employed by 40 companies, with this magazine's own editors furnishing supplementary analysis of how managers feel about their jobs.*

Store Managers' Profile



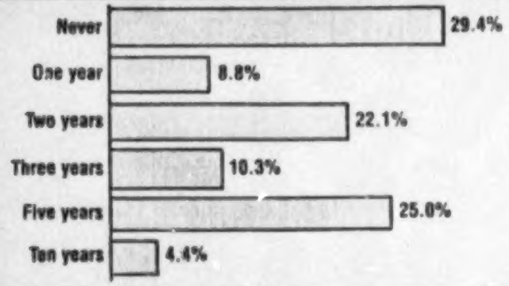
Source: *CSA* Research

*Each respondent selected four areas.

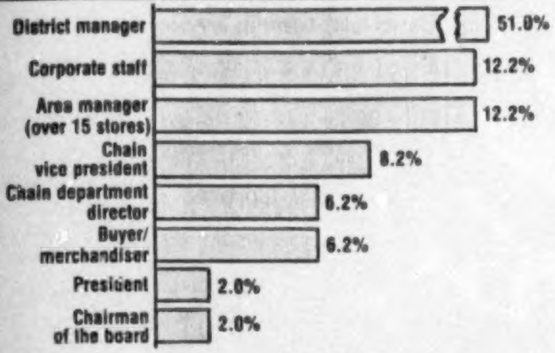
CHAIRMAN OF THE BOARD

Perceptions of advancement

When will you be promoted?

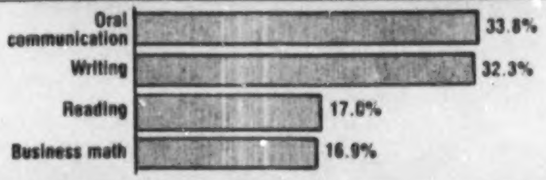


How high will you go?



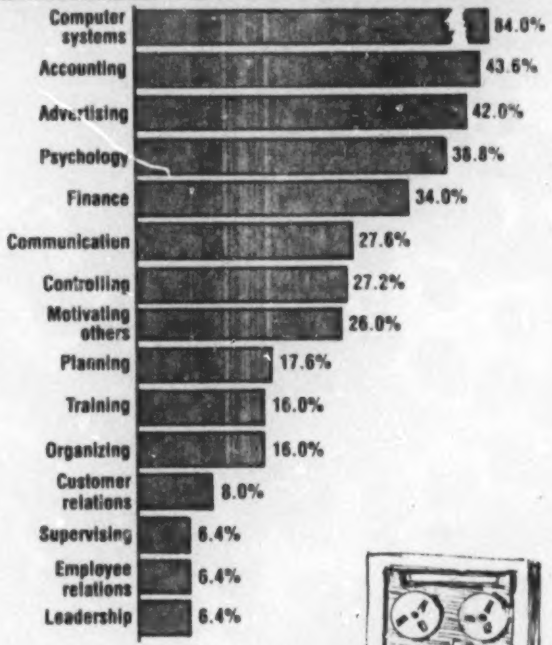
Basic skills

In which areas do you need most improvement?



Technical training

In which areas are your skills most inadequate?*



Store managers rate their jobs

What they like most about their jobs . . .*

Area	Importance factor
1. Challenge	51.3%
2. Freedom in operating store	51.3
3. Responsibility	38.7
4. Dealing with customers	33.0
5. Salary	27.0
6. Leadership	17.1
7. Company's reputation	14.4
8. Dealing with employees	9.9
9. Security of position	9.9
10. Benefits package	9.9
11. Bonus system	7.2
12. Trust of company	7.2
13. Merchandising	7.2
14. Company interest in personnel	7.2
15. Community relations	5.7
16. Authority	3.0

Source: *CSA Research*

. . . And what they like least about their jobs*

Area	Importance factor
1. Work schedule	55.8%
2. Security of position	35.4
3. Treatment by superiors	27.9
4. Bonus system	27.9
5. Freedom in operating stores	27.9
6. Salary	20.4
7. Company interest in personnel	18.9
8. Benefits package	16.8
9. Community relations	15.0
10. Company reputation	9.3
11. Trust of company	9.3
12. Dealing with customers	7.5
13. Dealing with employees	7.5
14. Supervision	5.7
15. Merchandising	5.7
16. Responsibility	3.6

*Each respondent selected three areas
Source: *CSA Research*

Whatever the reasons for these "contradictions," they should serve as a signal for top management to pay stronger attention in these critical areas.

Filling the voids: In appraising personal training needs, the predominance of "computer systems" as the top selection (almost 2 to 1 over the second choice, accounting) points to a sense of inadequacy in this field at a time when more and more supermarket chains are converting to electronic computer methods. Surprisingly, four areas considered vital in the operating of a store—customer relations, supervising, employee relations and leadership—earned the lowest ranking in that order.

When offered the opportunity to grade the reputations of their own companies, the respondents gave good marks in the areas of merchandise, customer service and community relations. Conversely, the managers expressed a need for improved training, both initial and ongoing, for themselves. The most negative ratings dealt almost exclusively with areas of human relations; a large percentage of managers believe their companies fail to provide the positive reinforcement necessary to build stronger management/manager relationships.

Climbing the ladder: No employee, regardless of his occupation, is likely to sustain peak productivity if he perceives his job as a no-growth slot. With this in mind, top management should consider the fact that practically 30% of the managers' workforce never expects to be promoted. And of those that do, 1 out of 4 estimate they'll be wearing a blazer for at least five years.

Perhaps the most revealing portrait of the store manager comes from their responses to the question: "How high will you go?" While the majority, 51%, expect to be elevated to district manager (in charge of 15 stores or less), a few candidly aspire to the top rungs of the management ladder: chairman and president.

Meanwhile, though, it is probably safe to say that in the eyes of top management the ideal store manager is one who reflects the image, personality and philosophy of his company. One way to help achieve that objective is for management to establish the most satisfying environment in which to work. ☐

Managers rate their responsibilities*

Responsibility	Importance factor
1. Customer relations	59.6%
2. Returning a net profit	50.4
3. Planning	44.8
4. Cleanliness/sanitation	42.4
5. Morale	34.4
6. Service	29.6
7. Productivity	24.0
8. Gross profit attainment	21.6
9. Ensuring freshness/quality	19.6
10. Expense control	16.0
11. Inventory shrink	12.8
12. Scheduling	12.8
13. Protection of funds	6.8
14. Store security	5.6
15. Correct pricing	5.6
16. Store staff relationships	4.4
17. Ad items in stock	3.6
18. Protection of equipment/property	2.4
19. Union relationships	1.2
20. Correct signs	1.2

*Each respondent selected five categories
Source: *CSA Research*

natural food center
natural food center
NATURAL ICE CREAM
NATURAL DAIRY PRODUCTS

Safeway, the nation's No. 1 chain, is leading the nutrition center charge with installations in over 600 stores.

The natural foods market: profile in profits

Nutrition centers: The phrase is so hot it sizzles. Few categories have caused this much excitement, enthusiasm—and action—among retailers. Chains from New York to San Francisco are building these departments with unparalleled zeal, investing as much as $45,000 to get started and reaping annual volume as high as $400,000 per store.

The number of nutrition centers in supermarkets has ballooned over 30% in the first half of 1982 alone, to 1,100 from about 850. Last year existing nutrition centers had sales of $300 million, a 12.5% share of the $2.4 billion market, according to *Natural Foods Merchandiser.*

The supermarket commitment to health foods is so strong, in fact, that natural foods specialty stores are truly worried about the new competition and are bracing themselves for a tough battle ahead. The specialists may have expertise, service and experience in their favor, but supermarkets wield buying clout and bigger budgets. Expertise and experience will follow.

Everyone's getting into the act. Safeway has about 600 natural food centers at last count, with more on the drawing board. The Safeway prototype packs 1,500 sku's into an average 700 sq. ft., with 72 ft. of packaged goods like juice, vitamins and cosmetics, and another 36 ft. of bulk foods. About 15% of the total mix is warehoused, with the rest handled through wholesalers. Average gross margins run between 35% and 40%.

If Safeway's nutrition center resembles that of Raley's in Sacramento, Calif., it's no coincidence. Greg Plunkett, who heads Safeway's nutrition program, joined the chain last year after setting up nutrition centers for Raley's and operating them.

While Safeway is planning for its umpteenth health food center, some chains are just getting started. Schenectady, N.Y.-based Price Chopper recently unveiled its first "Natural Shop" at the grand opening of its Capital District store in Albany, N.Y. Tucked into the back of the store, the 550-sq.-ft. section touts over 1,500 sku's, including frozen and refrigerated goods like no-nitrate hotdogs, all-natural ice cream and rennetless cheese. The chain integrates low-sodium and low-sugar items into the mix, as well as natural H&BA.

More chains getting involved: Chicago-based Jewel plans two unstaffed 400-sq.-ft. departments by year-end. Alpha Beta in La Habra, Calif., has several self-service sections in its Southwest market. Using bulk foods as a springboard, Elmwood Park, N.J.-based Grand Union is dabbling in various natural foods formats. Tom Thumb Page stores in Dallas and Austin, Tex., are experimenting with nutrition centers with refrigeration. Boise, Idaho-based Albertson's has over

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100 unstaffed sections ranging from 15 ft. to 60 ft. Smith's Food King Stores in California plans 30 centers by the end of this year. (See accompanying story on Smith's.) Denver-based King Soopers has integrated natural foods into an aisle-long specialty foods department, which also includes gourmet and ethnic fare. And the list goes on.

Why the seemingly sudden interest in natural foods? Among other things, supermarkets have discovered that the health foods shopper is no longer a rare bird. Health food is a logical extension of the jogging and vitamins phenomenon. Even die-hard junk food fanatics are reading labels these days.

And then there are the profits. Food stores accustomed to slim margins are understandably tempted by the 30%-40% gross profits of natural foods. Annual inventory turns average seven to eight but run as high as 13 for some operators. Annual volume is $150,000-$250,000 or higher.

Despite these mouth-watering incentives, setting up a nutrition center is truly a new game with all sorts of new—and sometimes confusing—rules. Novice health food retailers face a variety of challenges, from finding the right product mix to hiring the right personnel.

There are also ethical, legal, even sanitary considerations in developing a health center. Here's a collection of information designed to give retailers a running jump:

- **What goes into a nutrition center?** It's rough navigating through a sea of products all claiming to be "natural" or "nutritional." For the record, the National Nutritional Foods Association (NNFA) defines nutritional products as those containing, at the very least, no added chemical preservatives. Ideally, according to NNFA, they should have no sugar or salt, either. Some chains do integrate low-sodium and sugar-free canned fruits and vegetables into nutrition centers, but most agree that diet products like Figurines or Carnation instant breakfast drinks do not belong.
- **What about "natural" cosmetics?** Purists say it's not natural if it contains any of the following synthetic ingredients: mineral oil, sodium lauryl sulfate, TEA, benzoic acid or sodium benzoate, butyl paraben, methyl paraben and stearates, to name only a few.
- **Obeying the law:** Nutritionists joke about spending half their time keeping two steps ahead of the American Medical Association and the police. There is some truth to that. A health center employee may not prescribe or diagnose, even if he or she is a licensed nutritionist.

Health centers: the vital statistics	
Average square footege	950 sq. ft. (up to 1,200 sq. ft. in superstores)
Labor costs	9%-10%; as low as 8%
Initial inventory investment	$13,000-$15,000 at cost
Average in-store start-up cost	$2,500 (with a range of $1,000-$30,000)
Gross profit margins	30%-40%
Annual inventory turns	Average seven to eight turns; as high as 13
Annual volume	$150,000-$250,000 or higher
Pretax profits	10%-12%
Average customer transaction	$4-$5
Percentage of total store volume	1%-2.5%
Wholesaler/direct buying pattern	80% of inventory from wholesaler, 20% is bought direct

Source: Allen Levis Organization presentation, funded by Plus Products

This poses a tricky problem. According to Bob Grenoble, executive director of NNFA, the answers to questions must be worded *very* carefully: "You can explain what the product is traditionally used for. You can refer the customer to the shelf area where the product is. We also recommend that retailers refer customers to books and literature. There's a very fine line between prescribing and explaining."

- **Keeping bulk food clean:** Bulk display was the prelude to health centers for most chains. Profitable? Yes. Messy? Yes. Bulk foods continue to be prime targets for sticky fingers, and as nutrition centers multiply, city sanitation departments will probably follow close behind.

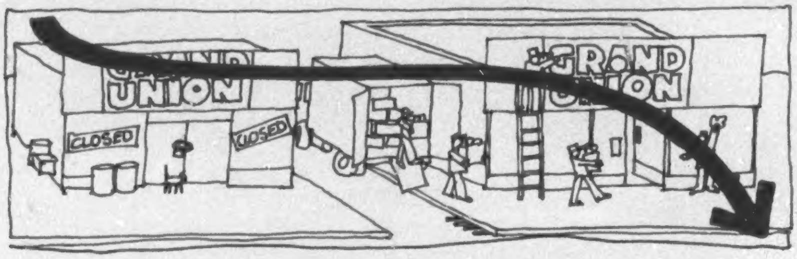
Some chains use bulk units that allow customers to serve themselves without having direct access to the food, but the open self-feeders still dominate. As long as they do, sanitation and shrinkage remain major problems.

- **Finding the right people:** Some chains lure clerks away from health food specialty stores, which usually pay considerably less than the supermarket salary scale. Others find qualified employees right on their own personnel list.

Once you've got the people, you can train them in several ways. One cost-free method is arranging seminars with manufacturers, many of which do offer this service. If it's in your budget, you can send your staffers for a crash course in nutrition at a local adult education center. Or you could simply ask them to read up on the subject.

- **The National Nutritional Foods Association:** Based in Oceanside, Calif., the NNFA is the major organization of the health foods industry. Although supermarkets cannot join (70% of a store's product mix must be health foods to qualify), they may attend its annual conventions. Over 700 exhibitors and almost 4,700 retailers turned out for this year's show in New Orleans.

BUSINESS NEWS



G.U. closings depress bottom line

Fine-tuning at Grand Union Co. reflects on its balance sheet.

The company recorded a loss of $3,175,000 for the first quarter of fiscal 1982; pretax store closure costs were a prime contributor to the figure.

Grand Union has closed 206 stores since the beginning of the second quarter of fiscal '81, with 64 shuttered during the first 16 weeks of '82. Those closings also affected sales figures, which dropped 14.5% from the same period a year ago.

Another side of Grand Union's master plan also played havoc with the figures. Patrick A. Dec, chairman and ceo, pointed out that in the first quarter the chain began turning many of its most profitable stores into Food Markets, the new upscale Grand Union prototype. Current renovation of more than 100 of the top stores reduces sales and profits.

Grand Union expects to spend more than $120 million this year on its Food Markets program. The company now operates 671 stores, compared to 853 a year ago.

A&P moves closer to full turnaround

A&P took its second giant step on the road to full financial recovery, chalking up a profit of $8,035,000 for the second quarter ended Sept. 11.

For the first half of the year, that meant income of $16,541,000 on sales of $2,426,062,000 vs. a loss of $21,765,000 on $3,425,607,000 for the same period a year ago.

A&P ceo James Wood anticipates a profitable fiscal 1982. "Our cash and short-term securities at the end of the second quarter amounted to $84 million," he said, "and because of the company's continued strong liquid position, unused bank credit lines were reduced by $20 million during the period."

A&P reopened a dozen stores as Super Fresh Food Markets in the Philadelphia area during the second period, and should double that number by the end of the month. Forty Altoona division stores were closed as of Sept. 25, after area unions refused to agree to certain concessions. According to A&P, no extra closing provision was required.

The company is awaiting the results of a Sept. 21 court hearing about a class action law suit concerning the proposed termination of its pension plan. The chain could gain a pension surplus of $200 million with a favorable decision.

Borman's sales bounce back

Detroit-based Borman's, suffering along with the rest of that unemployment-beleaguered city, reported a small sales increase and a healthy profit rise for the first half ended Aug. 14.

Sales for the period hit $535,839,000, 3.2% over the first six months of 1981. With the help of an extraordinary tax credit of $850,000, earnings bounced back to $2,710,000, after an '81 loss of $5,475,000.

Company president Paul Borman attributed the improvement in earnings to a wage freeze and improved margins, while recognizing that a poor 1981 contributed to the size of the comparative gain.

Supermarket Financial Scoreboard

Operation	Period	Date	Sales	% Inc./ dec.*	Net income	% Inc./ dec.*	Net-to-sales ratio
Grand Union	3 mos.	7/24	$1,096,513,000	−14.5	($ 3,175,000)	—	—
Wetterau Inc.	3 mos.	7/3	520,176,000	12.3	2,776,000	21.1	0.53
Albertson's	6 mos.	6/29	1,875,887,513	12.0	27,116,818	25.0	1.45
A&P	6 mos.	9/11	2,426,062,000	29.2	16,541,000	—	0.68
Borman's	6 mos.	8/14	535,839,000	3.2	2,710,000	—	0.35
Giant Food	6 mos.	8/14	830,952,000	12.9	16,494,000	—	1.98
Jewel Cos.	6 mos.	8/14	2,928,411,000	10.6	42,254,000	−21.3	1.44
Penn Traffic	6 mos.	7/31	228,385,000	13.7	2,237,000	3.0	0.98
Pueblo	6 mos.	7/31	244,332,000	11.1	2,483,000	427.2	1.02
Safeway	6 mos.	6/19	8,029,000,000	8.9	58,100,000	27.6	0.72
Stop & Shop Cos.	6 mos.	8/14	1,144,881,000	3.1	6,477,000	1075.5	0.57
Super Valu	6 mos.	9/11	2,640,019,000	8.0	32,476,000	3.0	1.23
Foodarama	9 mos.	6/31	320,883,000	1.3	647,000	28.1	0.20

*Compared to same period a year ago

Source: *CSA Research*

Figures in parentheses denote a loss.

DEC

1982

Industry braces for no-salt assault

Food brokers: what's behind their growing appeal?

Chain Store Age Supermarkets

THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

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DAZZLE

Safeway ushers in bold new age of superstore formats

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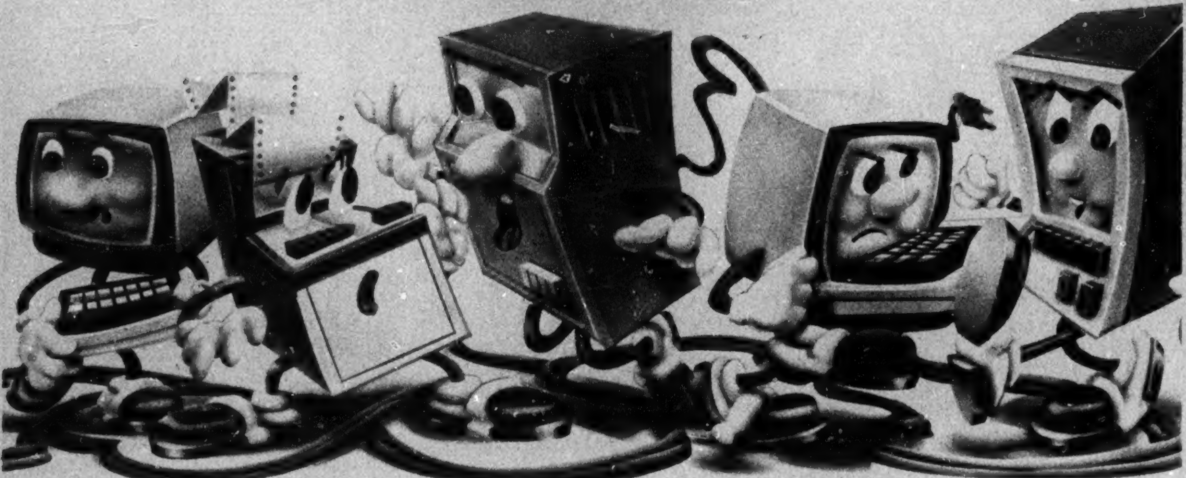
TWENTY-EIGHT DOLLARS A YEAR (U.S

Chain Store Age Supermarkets

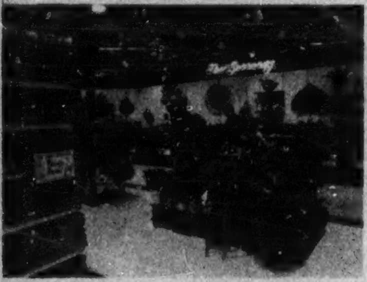
December 1982



Standing in the way of uniform DSD computerization is a host of sophisticated but incompatible systems .... *p. 30.*

On the Cover

This month *Chain Store Age* takes the wraps off Safeway's revolutionary new superstore format—from its solid commitment to nonfoods and specialty service departments to its unorthodox and dazzling layout **19**



Industry News

Farm Fresh is gambling $9 million that its mammoth new store will hit the $1 million-a-week mark **23**

Food brokers are leapfrogging the recession and expanding into new lines **24**

NFBA's Mark Singer takes some time for himself **24**

Critical Issue

Suddenly, after virtually no change in direct store delivery methods during the past 20 years, supermarketers face an array of computerized DSD systems designed to improve their grasp on this $45 billion store segment **30**

Merchandising News

Will emerging low-sodium products salt away profits? **34**

Ethnic hair care lines are gaining converts **36**

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Sales dip in wake of Tylenol horror

Three weeks after the Tylenol horror broke across the front pages of the nation's newspapers, supermarket retailers in select scan-monitored stores started to see a slight decline in over-the-counter analgesic drug sales.

According to TRIM Inc., the Los Angeles-based research firm that monitors scan data from select retail outlets, sales for cold and headache relief analgesics dropped about 8% in the Midwest, 20% in the West and 4% in the Northwest.

Disregarding a 20% surge in sales for Eastern chains because of intense promotional activity in this category, sales seem to be up in this market about 2%.

Average weekly per store movement for cold-relief analgesics

Week ended	Midwest chain	West Coast chain	Northeast chain	Northwest chain
8/7	167	294	381	49
8/14	175	239	334	49
8/21	160	226	344	50
8/28	170	238	308	44
9/4	178	213	457*	56
9/11	169	220	370	53
9/18	171	225	368	54
9/25	172	238	391	55
10/2	178	235	306	58
10/9	174	219	326	56
10/16	160	190	364	51
% change	−8%	−20%	+2%	−4%

Source: TRIM Inc.

*Promotion

Dominant brands like Bayer, Anacin, Bufferin and Excedrin had picked up most of the sales lost by Tylenol's recall, but it was too soon to tell who, if anyone, will benefit from any long-term shuffling of market share. Early findings suggest that the deadly product tampering has not succeeded in permanently scaring shoppers away from this category. But it's possible that the copycat tamperings with other analgesics like Excedrin may inflict more severe losses.

Giant step forward for the hungry

As an outgrowth of a dispute between Giant Food and a citizen lobby group, some hungry people are getting fed and Giant is garnering some positive publicity as well as possible tax breaks.

Giant became embroiled in a dispute with the Community for Creative Non-Violence when the chain declined to allow CCNV to search through its trash bins for edible food for the needy. As an alternative, the company offered to donate shelf-quality food. Characterizing the offer as little more than a bribe, the CCNV staged a sit-in at Giant headquarters, Landover, Md.

However, a compromise was reached: Giant agreed to set up a test with the Capital Area Food Bank; CCNV, although not affiliated with the Food Bank, accepted. The Food Bank designated a total of 15 agencies to make daily pickups of safe but unsalable food at five test stores. Each store deals with three to six agencies, each of which arrives on a designated day. The contributions, mostly produce with cosmetic blemishes and two-day-old bakery goods, average one to four cases daily per store.

According to Giant spokesman Barry Scher, the program is "very successful," running smoothly and creating no problems.

Pillar for profit

Just because a store has lots of space, such as the 60,000-sq.-ft. Skaggs Alpha Beta combo in Las Vegas, doesn't mean it shouldn't use every inch.

A wire rack wrapped around two sides of a corner pillar provides an ideal spot for high-margin cookies. The rack flanks the dairy section for a natural tie-in—cookies and milk.

Safeway private label in brief

Sometimes it's hard for a super to make underwear exciting without losing its "G" rating, but Safeway employees in Williamsburg, Va., "took steps" to draw attention to their 20%-off sale on private label unmentionables.

SPECIAL
20%
SPECIAL
20%

A hand-made sign, a little crêpe paper trim, some black construction paper, cutouts of feet—and voila! The men's undershirts and briefs practically walked off the freestanding display.

Brokers leapfrog recession, enter new lines

Brokers grab 55% of goods sold in supers with expansion into H&BA, perishables

As large manufacturers today turn more to food brokers to trim sales costs in less densely populated areas, retailers with pared staffs are growing more dependent on brokers for reset, buying and merchandising advice.

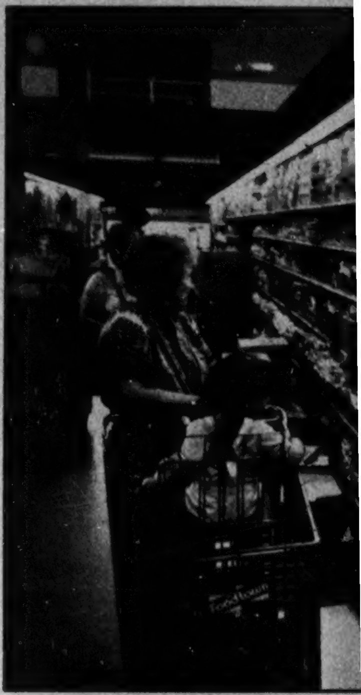
"Without food brokers," says Ed Sagan, purchasing director at Eberhard Foods in Walker, Mich., "we'd be like Sisyphus," the legendary king condemned forever to roll a huge stone up a hill in Hell, only to have it roll back before he reached the top.

Today food brokers represent an estimated 55% of all goods sold through supermarkets, worth about $110 billion at retail. That's up from a 40% share in 1977.

Brokers generally earn 3%-5% of wholesale, depending on products sold and services provided. Private label and commodities are at the low end; slow movers and many nonfood items can range as high as 7%-10%.

Heavy recent expansion by brokers into produce, soft drinks, bakery, H&BA and other nonfood lines has contributed to the increased representation experienced in the last five years by brokers. But the key reason for this growth lies in the economic pinch felt by retailers.

Even long-time advocates of direct sales, such as Anheuser-Busch,



NFBA's Singer takes time for himself

Mark Singer

While working at the National Food Brokers Association for 36 years, Mark Singer built up a lot of momentum. But the outspoken association president and voice of food brokers since 1972 has decided to shift gears now into semiretirement.

It's a move he's planned for five years.

The growth of NFBA membership to 2,500 firms—double what Singer saw his first day on the job—underscores what pleases him most about his tenure: He's seen greater industry respect and reliance on brokers to sell more product lines.

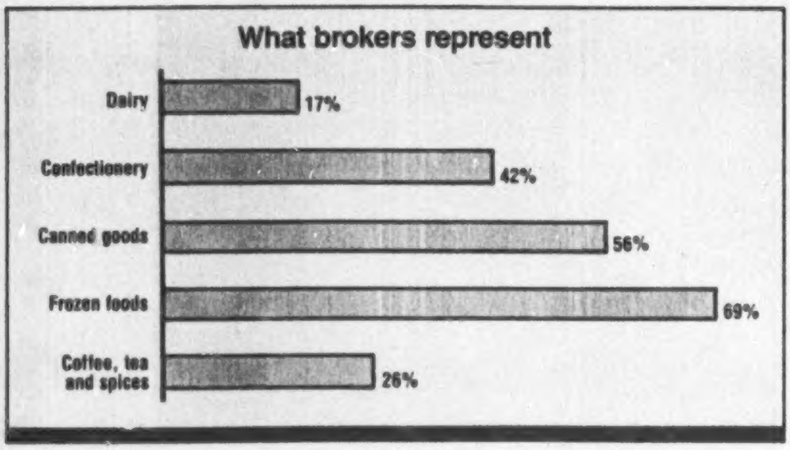
"There's no manufacturer too large to be a prospect for food brokers," he says. "All can profit by dealing with us. Direct sales forces aren't economical when manufacturers can hire brokers who collectively have more manpower. Using brokers, you also work with less organization and generally save money."

When 1983 rolls in, Singer will be a consultant to NFBA and trustee of its Education Foundation, as Charles Haywood takes over the presidential helm.

Singer plans more family time, traveling and photography, while NFBA continues to pursue his three basic objectives: (1) add to the roster of manufacturers using brokers; (2) help brokers expand into new product areas; (3) convey to the trade that brokers are a favorable sales channel.

Toffifay
Toffifay

***Much of the increased penetration into supermarkets** by food brokers in recent years is due to heightened activity in (clockwise, from top): confectionery, frozen foods, dairy, produce-related packaged goods, soft drinks, and coffee and tea. Brokers are now concentrating on health and beauty aids in a bid to further broaden their hold.*



Schering-Plough and Hershey Foods, are using brokers to augment their own sales forces. Like the legions of small, regional manufacturers who have always used brokers, larger organizations find it's often wiser to pay a brokerage commission than to tackle the fixed costs of a sales staff.

At the same time, brokers feeling the dollar squeeze are merging to become stronger sales and marketing enterprises. They realize that manufacturers demand strong market penetration and will go elsewhere—very quickly—if their brokers are not up to snuff. "We've seen a lot of account turnover the past three years," says a Midwestern retailer.

Heinz U.S.A. is a good example of this trend. Completely employing direct sales until the late 1970's, the company now uses brokers to cover two-thirds of the country and account for half its sales. "We measure their performance as strenuously as we do our own reps," says a company official. "They have to provide benefits as well as economies."

One of the ways brokers have been endearing themselves to manufacturers is by cementing relationships with retailers. Aside from being experts in local markets and often befriending people they do business with, broker strengths at the retail level often lie in minimizing out-of-stocks, managing shelf space allocations and developing strong merchandising concepts.

"Even if you sell to wholesalers, you have to know the retailers, too," says Frank Cassata, executive vice president at The Boerner Co., a fast-growing brokerage firm in New York. "It's a marketing partnership all the way."

Making this sales chain most effective calls for a constant flow of information from manufacturers to brokers about changes in product quality, prices, packaging and allowances. "More of a problem than not getting enough information," says Charlie Haywood, executive vice president and chief operating officer of the National Food Brokers Association, "is making sure that what you get is right."

Because competitive product situations change so rapidly, many brokers have formed their own marketing departments to become more aggressive and responsible in relaying information to retail clients.

"Brokers probably have to be better than direct sales reps," says Sagan, "because they represent so many lines." The more products a broker sells, the broader his vision about cross-merchandising tie-ins and the total selling look of the store. Store operators acknowledge this, the help they get from brokers, saying they're somewhat warmer to broker ideas than those of direct sales reps.

Brokers get a particularly good chance to prove their value to both retailers and manufacturers with new products. Retailers seek their guidance, and manufacturers use them as a cost-effective sales channel. Here is where brokers' candor can be of particular help. "If there's a flaw in a company's marketing program," asks Haywood, "who's more apt to bring it to the company's attention—a broker or a sales rep who has to tell his boss?" ☐

Counterpoint

Achieving a sales balance

George Foreman, nat'l sales manager, consumer division, Reynolds Metals Co.

On direct sales forces:

"We've worked hard to build our effective direct sales staff. Control is a big reason. We educate and train our people to become experts in the product lines we sell. Also, we promote from within, which builds loyalty and motivation. And keeps turnover down. All our sales and marketing managers began as sales reps.

"We maintain high standards for our sales presentations, service work, merchandising support and customer relations. With our management by objectives program, we monitor performance quarterly—a key to our success. Our goals are attainable through extra effort."

On brokers:

"We use brokers only to augment our direct sales force. They have to meet stringent objectives and are evaluated the same way as our own reps. Broker turnover is minimal because of constant open communications. Coverage and sales costs determine whether we'll use brokers in sparsely populated areas to improve store and headquarter representation, sales, distribution, shelf space allocations and trade cooperation."

Retailers and vendors don't always see eye to eye on more modern approaches to store-door programs

Competing systems blunt effect of DSD computerization

In an overzealous attempt to computerize direct store delivery (DSD) systems, many retailers and suppliers—looking for different benefits—have developed a handful of incompatible programs. The result: The vast majority of supermarkets wait on the sidelines for more usable systems.

It's not that they don't sense an urgency to improve control over DSD. They just "don't want be guinea pigs" in the race to tighten operations, says Tim Murphy, an associate at Willard Bishop Consulting Economists, Barrington, Ill.

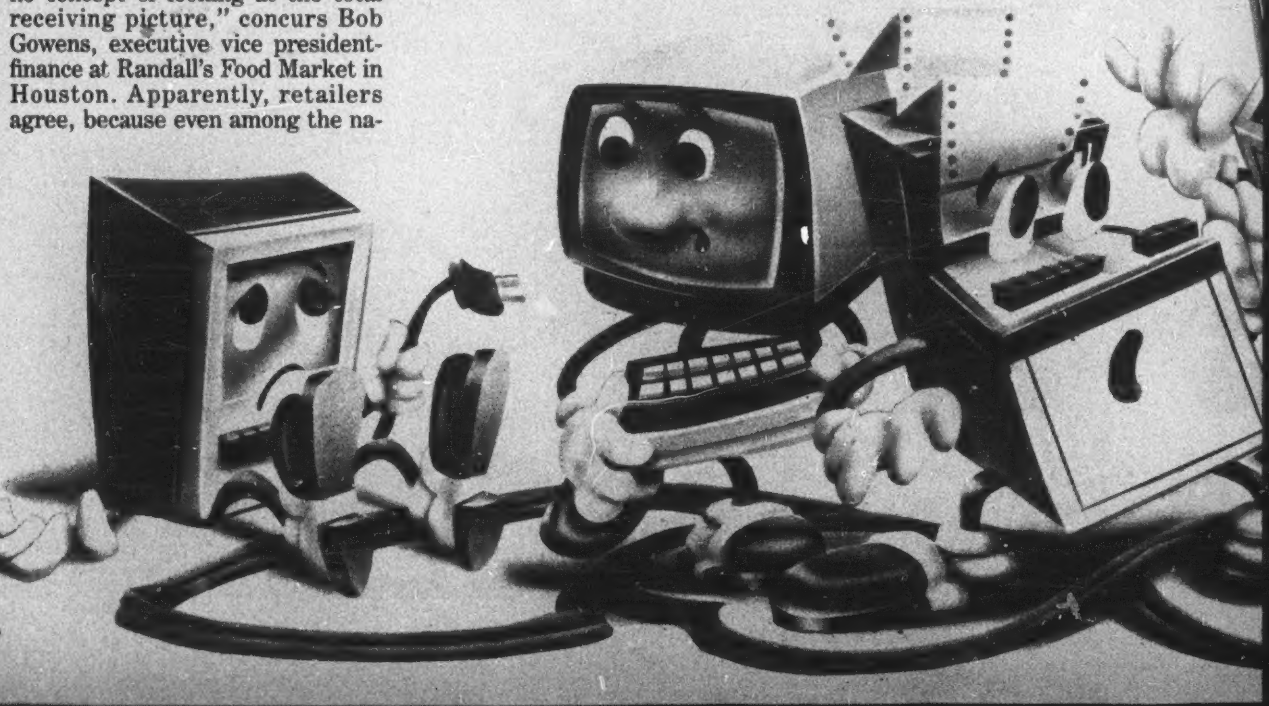
"Systems in place now have been developed with blinders on. There's no concept of looking at the total receiving picture," concurs Bob Gowens, executive vice president-finance at Randall's Food Market in Houston. Apparently, retailers agree, because even among the nation's 7,000 stores with scanning, only a fraction are actively considering DSD computerization.

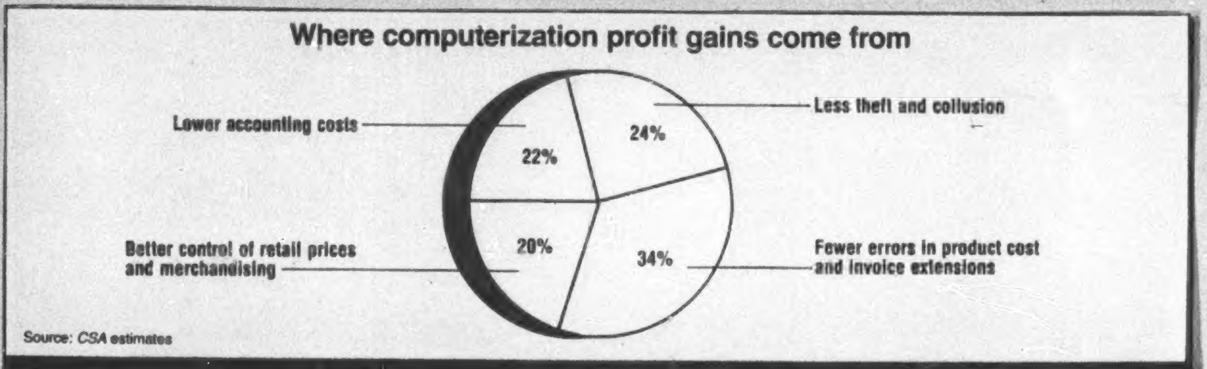
"We're in the fits and starts stage of development," explains Murphy, "although sooner or later everyone will have to look at this."

Meanwhile, retailers are shoring up authorization procedures by using DSD price books, and strengthening buying and backdoor receiving functions. "Yet half the stores today still don't have discipline at the back door to warrant using portable terminals—a key element of DSD computerization," says Bill Bishop, industry consultant.

Clearly, the trade has to travel many miles before standardized DSD computerization becomes reality. Still, that doesn't daunt the enthusiasm of leaders such as Hannaford Bros. in Portland, Me. "Don't wait to cost-justify retail terminals," says George E. Barker Jr., systems and programming manager at the New England wholesaler. "Go for what's out now. The benefits are tremendous."

That may be true, counters Gowens, "but what costs are you incurring to develop a system that works for you?" Small operators lacking resources to computerize DSD may have to look to their wholesalers for support; chains that might better afford it may not be ready for the computer discipline. On top of this, chains understand-





Source: *CSA* estimates

ably may be reluctant to release buying control to individual outlets, so store-level computerization may turn out to be of more benefit to smaller store clusters and independents.

Further, industry experts caution that benefits must be managed; they're not automatic once systems are in place. What store operators might expect from well-run systems, however, are tighter reins on product costs and retail pricing; more secure item authorizations; product movement tracking; better shelf management, merchandising and use of promotions.

Although retailers aren't jumping on the computer bandwagon yet, it's a safe bet they'll eventually grab at the chance to boost gross profits on DSD categories an average 0.9%. That's what Price Chopper Supermarkets in Schenectady, N.Y., is picking up with its four-year-old on-line system. The 55-store chain says lower clerical and accounting costs are major contributors to the gain, which was large enough to match payback in just 15 months.

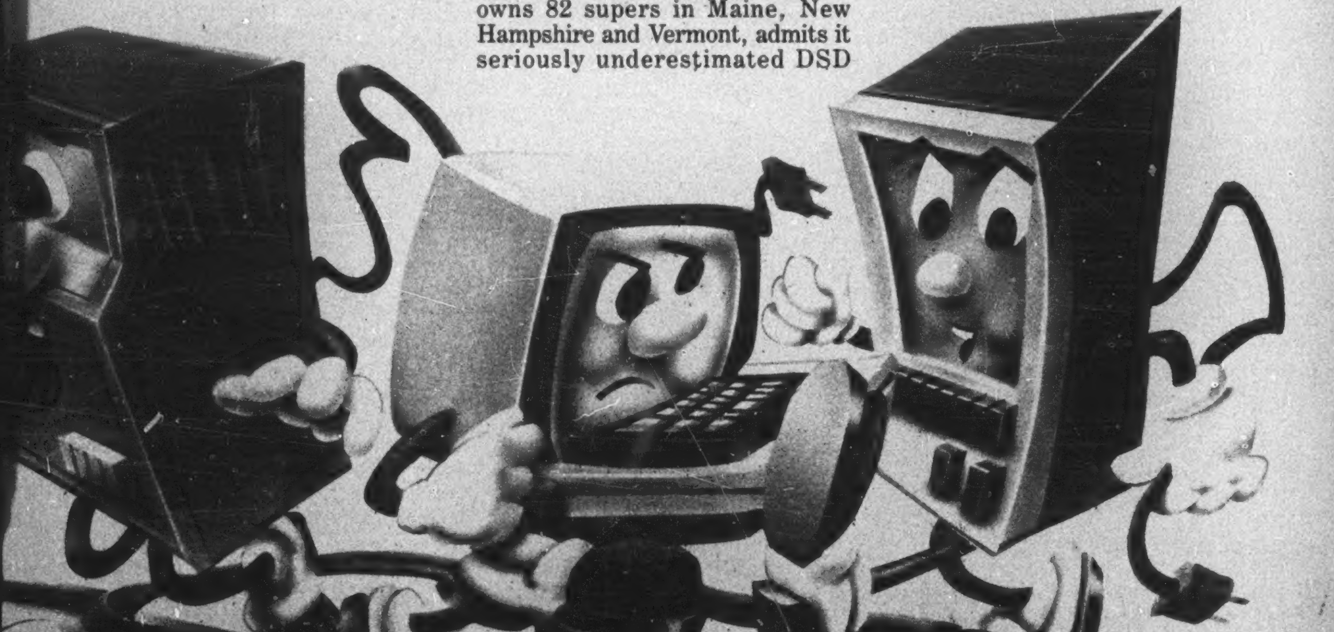
Since DSD items generally account for 30% of grocery sales, or roughly 21% of total supermarket sales, computerized DSD could quickly translate into big bucks for bottom lines.

Independents and chains alike realize that profits will continue to slip away until they computerize or otherwise tighten DSD procedures. But most can only guess at the cost of current abuses such as collusion and theft, missed promotions, unauthorized items and inaccurate invoices. Even Hannaford, which owns 82 supers in Maine, New Hampshire and Vermont, admits it seriously underestimated DSD profitability until it went to computerization.

On this point, trade observers estimate DSD shrink at roughly 2%-5%, compared to 1% for warehouse items. Several doubters believe that computerization will simply offer bigger challenges to vendors bent on beating the system and that the shrink problem will remain.

To enhance their own profitability, suppliers such as Keebler, Frito-Lay and Thomas use computerized systems. Trouble is, supplier programs can often be at odds with retailer needs. At the same time, retailer approaches often create problems for vendors.

"Simple," says Jack Tierney, vice president-corporate relations at Pepperidge Farm. "Everyone must take the other's needs into account. It's a partnership, after all."



Dennet Withington, data processing director at Golub Corp., which owns Price Chopper, agrees: "We've seen early efforts of computerized DSD crash and burn because a cooperative attitude between retailers and vendors wasn't there. You can have the feeling that 'it's my field, my bat, my ball, and if vendors want to play it's by my rules.' But that's not the best way. You need cooperation."

To help bring this about, a joint Food Marketing Institute-Grocery Manufacturers of America voluntary guidelines panel established a standard design for documentation. Members include Kroger, Pathmark, Winn-Dixie, Nabisco and Coca-Cola—some of the industry's biggest movers and shakers. Yet the adoption process may take as long as five years. "Vendors haven't fallen all over themselves to embrace guidelines on turnaround documents," says Withington.

There has to be much greater simplification and practicality built into systems before retailers will move briskly toward DSD computerization, says Gowens. ☐

Counterpoint

Stage is set for fiercer competition

Alfred C. Carosi Jr., marketing director, Shasta Beverages Inc.

On warehouse brands in primarily DSD categories:

"Warehouse brands are better than DSD for retailers because controls on them are tighter. Chains have a stronger grasp of direct product profitability with these lines than with DSD items, on which vendors play too large a role in buying, pricing, merchandising and allocating shelf space. Who needs vendors floating around their stores?

"Further, retailers gain price advantages with warehouse brands. They buy Shasta, for instance, at 15%-20% less than store-door soft drinks and capture higher net despite extra handling costs."

On standardized DSD computerization:

"That will take a number of years at best, and may solve some problems. But retailers will still have store-door guys playing with the shelves.

"If computerization does give retailers better overall control of DSD, the makers of warehouse brands will be forced to counter. Most likely, they'll market more aggressively to develop stronger consumer demand for their lines. Shasta's recent stepped-up marketing efforts helped bring us a growth rate that has doubled the industry average. The opportunities are there."

Hannaford's system a documented success

Thanks to a computerized direct store delivery system, working without breakdown since early 1980, none of the 82 company-owned Hannaford Bros. outlets accepts a vendor invoice today. The $530 million wholesaler generates its own ordering document for stores, which relieves its outlets of mountainous paperwork.

To minimize problems this may have caused vendors, Hannaford called each in separately to discuss the new document and arrive at a form everyone could live with. So far, says George E. Barker Jr., systems and programming manager, this cooperation has resulted in many benefits and savings, but there's still some way to go.

The documents, a key to Hannaford's system, are admittedly a short-term solution. Since they describe orders legibly and completely, all that remains is for Hannaford to check prices and quantities coming in; that's done manually at the back door and confirmed electronically at headquarters later. Discrepancies are pursued by buyers, not back-door receiving clerks.

But Hannaford would like to be fully electronic before long, whereby back-door clerks would capture and transmit data immediately to its IBM 4341 mainframe computer at headquarters using hand-held terminals. Meantime, "We're flexible enough to sequence our document according to vendor needs, whether that's by product lines, UPC code numbers or package sizes," says Barker. Each store controls its own authorized products list.

While most of the nation's retailers remain on the sidelines, Hannaford decided it was time to help its operators grab greater control of DSD categories. The lines represent 35% of grocery sales (24.5% of store sales) and an estimated 28% of store profit. That's worth an aggregate $130 million in volume over the 115 units Hannaford supplies. If the stores gain just 1% gross profit on these lines simply by tightening controls, they pick up an extra $1.3 million for their bottom lines.

"Our job is to make our retailers stronger. If we can do that with this computerized support service, we're helping ourselves," says Barker. As 1983 rolls in, Hannaford will offer computerized DSD to all its retail customers—company-owned and company-supplied—for a fee that's now under $100 weekly per store. "Backroom labor costs stay the same, too," Barker claims.

Hannaford's stated motive for the move is to service all clients equally, but it's no secret that wholesale competitors are continually calling on Hannaford-supplied stores. "This should create a much stronger tie between us and our retailers," says Barker.

The average Hannaford outlet sees nearly 80 vendors a week at the back door, pumping in some 250 deliveries of 40 different items apiece. The computerized system helps operators maximize profit potential of this wide array of lines. "Better advertising, in-store merchandising and use of promotional monies generate both excitement and dollars for retailers and vendors alike," says Barker.

Further, Hannaford may have found a direct benefit for its computerized DSD package; it's selling the complete system to outside retailers for $25,000 and the documentation portion alone for $5,000. "Of course, customizing for varied retail operations is needed," says Barker, "but we've heard no complaints yet." ☐

—Al Heller

Will emerging low-sodium products salt away profits?

No-salt craze gains strength with supermarketers as more products are launched with heavy ad support

Even regional brands are having an easy time getting no-salt items in regular sections.

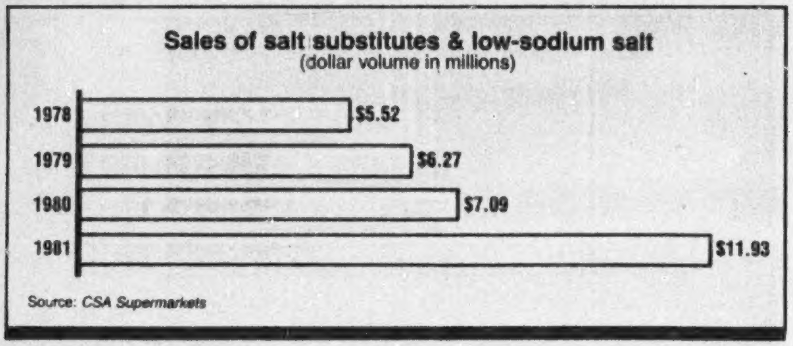
Last December a new product—No Salt—appeared on supermarket shelves, right next to the real salt canisters. But it didn't stay on the shelves long. Despite its relatively high price tag, the substitute was so successful that its manufacturer, Norcliffe Thayer, had a hard time keeping up with demand.

Its phenomenal success caused many manufacturers to realize three things: There exists a demand for low-sodium products not limited to consumers with medical problems; retailers can be convinced to place salt-free products in regular departments; the no-salt craze may give some life to flat categories.

Today, just one year after No Salt's introduction, the list of low-sodium products is increasing daily. A wide variety of products, from breakfast cereal to vegetables, is offered in a reduced-salt version.

Heavy advertising support behind new entries and the track record of successes like No Salt have persuaded many supermarketers to integrate these products with salt-added products. Indeed, most processors claim the spectre of the dreaded diet department hasn't arisen.

At S. S. Pierce, which recently switched the entire Libby line of canned vegetables to a no-salt, no-sugar-added formula, executive vice president Fred Leick claims, "I can't think of one instance where a retailer wanted to put us in the diet section." Libby offers trade allowances, couponing in the multi-millions and extensive point-of-purchase materials, as well as a public


Sales of salt substitutes & low-sodium salt
(dollar volume in millions)

Source: *CSA Supermarkets*

relations campaign with actor Dick Van Patten.

Leick claims a "lot of things" influenced Libby to make this bold move. "Research indicated there was enough of a need and that the product fulfilled that need," he says.

But that still leaves unanswered the question of taste. Leick admits there is a difference. Libby's no-salt-added vegetables taste more like fresh, he claims, and it may take consumers devoted to traditional canned vegetables some time to adjust. Indeed, the manufacturer emphasizes the use of various spices as an alternative to salt. Spice manufacturers would be an indirect but dramatic beneficiary of a low-salt trend.

Many companies are moving more conservatively than Libby's. Kellogg's, for instance, is the first major cereal manufacturer to enter the low-sodium race, although virtually every breakfast power is watching the market closely. Kellogg's has moved cautiously with an 8-pack of individual-serving boxes of low-sodium Corn Flakes and Rice Krispies.

Cereal is one area in which major manufacturers may face competition from brands traditionally associated with health foods. For instance, the Weetabix Co., which markets both Weetabix and Alpen, is rolling out Grainfields, a five-item line of low-sodium cereals—all closely related to established brands.

Coming at supermarkets from a different angle, Weetabix will be happy to get Grainfields into any department, according to company senior vice president Robert Wolpert. Realistically, he says, his company probably can't get five facings in the regular cereal department. He's happy to get a foot in the door through either the diet or health food department and hopes sales will earn his products a spot in regular sections.

The battle on the tuna shelves is more evenly matched. Leaders Chicken of the Sea and Star-Kist are going head-to-head for the low-sodium dollar. Chicken of the Sea is backing chunk light packed in either oil or water, using the same style label as its regular tuna with a banner reading "50% less salt."

Star-Kist, on the other hand, is calling its 60%-less-salt line "Star-Kist Select" and using a newly designed label. It offers chunk white in spring water, in addition to chunk light in both oil and water.

Both companies are packing the tuna in 6½-oz. cans, the top seller in regular tuna. The two giants are looking for shelf space next to their traditional lines and are keeping prices competitive, despite the added costs of selecting fish that have absorbed the least amount of salt while stored in brine on-ship.

Most of these products are "either-or"—either they have salt, or they don't. But some, like regional producer Cantisano Foods' Sano and Francesco Rinaldi spaghetti sauces, both of which are offered in no-salt-added versions, can be "upgraded" by simply adding salt, making it practical for families with mixed tastes. Ed Salazano, the company's vice president, argues that this represents a "true extension" of the category and will attract those who could not purchase a commercial sauce in the past.

Consumers cutting down on salt for nonmedical reasons might not even associate these items with the white crystals. But that doesn't mean traditionally salty foods aren't getting into the act. Fisher Nut Company has added a five-item reduced-sodium line, containing half the usual amount of added salt. Support ranges from point-of-purchase material like danglers to a television ad campaign. ☐

—Charlene Komar Kunkel

Stop & Shop pioneers no-salt success in private label

It's not often that a supermarket's private label line steps ahead of national brands in developing new items. But in the no-salt-added field, Stop & Shop's brand has often set the pace.

The New England company now labels six varieties of canned vegetables, butter, cheddar cheese, potato chips and five types of bread with an identifying green oval reading "No Salt Added." The vegetables were the first to appear, and their phenomenal success—sales 50% higher in two weeks than company officials had predicted for a year—set the stage for the others to bow.

Breads, the most recent entries, illustrate some of the difficulties in producing a product without adding salt. Unlike an item like potato chips, where salt's sole function is flavoring and it can simply be eliminated, salt performs a function in bread. Therefore, developing these breads meant extensive testing in Stop & Shop's own bakery to find a formula that would work *and* taste good.

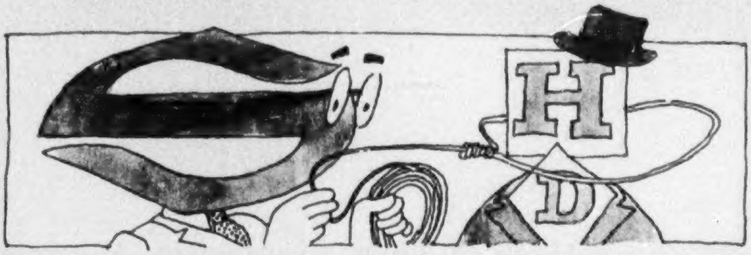
What's more, price was a factor. Christine Filardo, consumer affairs director, says shoppers want low-sodium foods, but at a competitive price. The breads are priced identically with their salted counterparts.

All the Stop & Shop no-salt-added products are shelved in the regular departments. Filardo credits that with much of their success, saying it gives them "broad-based market appeal."

Super Valu snares Hinky Dinky depot

Add another notch to Super Valu Stores' expansionary belt: The nation's largest wholesaler is picking up a 15th wholesale food division with the purchase of a Hinky Dinky distribution center and related equipment in Omaha, Neb.

The 348,000-sq.-ft. center, with facilities for frozen food, dairy and produce as well as dry groceries, was owned by American Community Stores, a wholly owned subsidiary of Dallas' Cullum Cos., which continues to own Hinky Dinky retail stores. The warehouse supplies about 40 supers in eastern Nebraska, western Iowa and southeastern South Dakota.



Although the present emphasis is on improving distribution and supply efficiency, the long-term goal is to add new retail accounts, according to Gene D. Hoffman, Super Valu president, wholesale food companies.

The addition of the Hinky Dinky depot comes on the heels of Super Valu's recent acquisition of Western Grocer, which operates two distribution centers in the Southwest.

The purchase price was undisclosed in both cases.

Fleming set for record acquisition

Riding the crest of record sales and earnings, Fleming Cos. has agreed in principle to the largest acquisition in its history.

The giant wholesaler is adding five wholly owned subsidiaries of Fort Worth's Waples-Platter. The deal includes two food distribution centers as well as an institutional food company, an administrative office and a printing firm.

Fleming is financing the $91 million price tag through a new revolving credit agreement with Morgan Guaranty Trust Co. of New York. The five units involved racked up sales of $722 million in their last fiscal year; earnings were $11.5 mil.

Meanwhile, Fleming reported sales of $2.72 billion for the first 40 weeks of fiscal 1982, a 5.3% rise. Earnings climbed 11.9%, hitting $20.5 million. Chairman and ceo R. D. Harrison said tonnage shipped from the company's distribution centers rose during the third quarter, and continued gains in productivity helped offset the effects of sluggish retail sales.

Kroger makes hay in the sunshine

Expansion in the Sunbelt and a sales boom in high-margin service specialty departments helped Kroger earnings soar 24.6% for the first nine months of fiscal '82, hitting $93,983,110, and sales climb 6.9% to $9,110,124,412.

Kroger chairman and ceo Lyle Everingham said sales in the North were up less than 1% over the same period a year ago, but Southern sales zoomed 13.3%. Superstores and combos pulled in almost five million more shoppers than in the third quarter of '81, he added.

Sales in service specialty departments in the larger-size stores grew faster than those in other store areas, said Everingham.

The official stressed that with operating costs rising faster than retail prices, more efficient operation, increased volume and an improved mix of products are musts.

"Kroger is particularly pleased that the kinds of retail stores we operate assist us in meeting these goals and in encouraging more sales of our private label products to today's extremely cost-conscious shoppers," he said.

Supermarket Financial Scoreboard

Operation	Period	Date	Sales	% Inc./ dec.*	Net income	% Inc./ dec.*	Net-to-sales ratio
Winn-Dixie	3 mos.	9/22	$1,582,824,000	8.0	$20,773,000	8.6	1.31
Big V	9 mos.	9/25	387,060,331	16.0	5,147,056	19.0	1.33
Fleming Cos.	9 mos.	10/2	2,723,852,000	5.3	20,472,000	11.9	0.75
Kroger	9 mos.	10/9	9,110,124,412	6.9	93,983,110	24.6	1.03
Star Supermarkets	9 mos.	9/11	189,255,281	– 2.8	(992,326)	—	—
Waldbaum	9 mos.	9/11	1,028,547,000	9.6	10,126,000	96.9	0.98
Weis Markets	9 mos.	9/25	597,732,000	7.1	31,125,000	15.5	5.21

*Compared to same period a year ago

Figures in parentheses denote a loss.

Source: *CSA Research*

Outlook '83: Controlling costs at any cost?

Winn-Dixie gears up for home-turf challenge

Chain Store Age Supermarkets

THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

January 1983

Fleming rolls out Sunbelt strategy

"We're the best and one day we may be the biggest."

-Richard D. Harrison, chairman and ceo, Fleming Cos. Inc.

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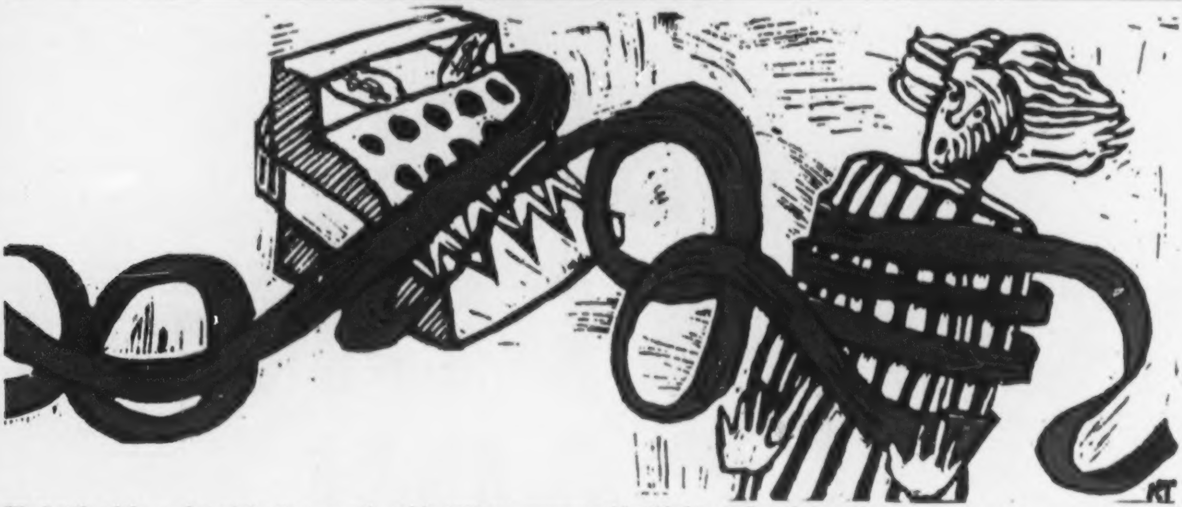
Chain Store Age
Supermarkets
January 1983



The battle of the cash register tapes continued in 1982 as consumers identified "price" as their major concern .... *p. 20.*

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There's more to Fleming than headline-grabbing acquisitions. The nation's second largest food distributor, with '83 sales projected to top the $5 billion mark, offers innovative financial and computerization support services to more than 3,200 retail affiliates. **29**

Outlook 1983

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EXPRESS CHECKOUT

Tylenol hits comeback trail

Less than a month after seven lives were lost in the Tylenol tragedy in Chicago, and several weeks before Tylenol's new tamper-safe packages are expected to reach retail shelves, the shattered brand has begun to stage its comeback in grocery stores across the nation.

According to scanner printouts from chains in various regions of the country, Tylenol, even before the introduction of its new tamper-resistant package, has won back approximately a third of the business it commanded before the scare.

Even in one Midwest chain, where the retailer had removed all Tylenol products in the wake of the scare, movement returned to nearly one-third its prescare level as soon as the product was returned to the shelf.

Sales bounce back

(average unit movement per store per week—13-week period ended Oct. 30, 1982)

	Weeks preceding Tylenol deaths									Weeks following Tylenol deaths			
Weeks	1	2	3	4	5	6	7	8	9	10	11	12	13
E. Coast chain	132	132	128	132	132	162	130	152	214*	38	42	45	n.a.
W. Coast chain	100	96	96	98	86	91	95	99	98	28	10	35	32
Midw. chain	66	72	64	69	67	66	71	71	29	0	0	0	20

*Promotional activity

Source: TRIM Inc.

The total pain relief analgesic subcategory, however, is still trending down slightly a month after the scare, but the softness is not considered significant by scan analyst Helene Monat, vice president of Los Angeles-based TRIM Inc.

Scanner printouts show that movement for the last week in October vs. movement for the eight weeks in August and September was down 12% to an average 156 units per store per week in TRIM's Midwest chains; up 6% to 331 units in the East Coast chains; stable at 51 units a week in the Northeast, and down 16% to 198 units in the Midwest.

"When you're seeing a difference of plus or minus 10%," Monat explained, "there's no major statistical difference. Despite the horror of the tragedy, the category was not devastated."

New supermarket guides available

With listings of 341 new companies, the 1983 Directory of Supermarket, Grocery & Convenience Store Chains now provides information about 4,331 companies operating 68,910 stores in the United States and Canada. Highlights on each company include sales, number of stores, square footage, sales per square feet, warehouse and distribution center locations, type of ownership and whether a chain has scanning, pharmacies, private and generic labels.

There's also a "Kwik Index" of the nation's top 200 chains ranked by volume, a five-year sales profile of the top 25 and a calendar of major trade shows.

The new supermarket guide may be ordered from Chain Store Guides, 425 Park Ave., New York, N.Y. 10022, 212-371-9400, ext. 333. The price is $139, plus $2.50 shipping and handling and New York/California sales tax if applicable.

Thinking positive

It was worth $1,100 to Albertson's to get its employees to "think positive." That's the total prize money for completing the statement, "My job at Albertson's is challenging to me because. . . ."

John Woodside, a checker in Denver, won the top $500 prize by comparing a store to an orchestra: "Each member must be encouraged to *prepare, practice* and *perform* with *precision* and *personal* flair before beautiful music comes forth."

Remember when inflation was the bane of a retailer's existence? Today, a healthy dose of higher prices might raise a cheer

New year ushers in new worries

With the country still in the throes of a recession, unemployment stubbornly hovering at the 10% level and interest rates vacillating at abnormally high elevations, one might surmise that the only thing supermarket operators have to be grateful for these days is the remarkable deceleration of food price increases. Wrong.

The fact is, based on *CSA*'s annual poll of chief executives of the nation's top 100 chains, disinflation is more a cause for consternation than consolation. Inflation may have sharpened the selective powers of shoppers, but at least it allowed retailers to stay on an even keel with mounting operating costs.

So pressing is the concern for controlling costs in the year ahead that Outlook participants pushed last year's No. 1 worry, competition, way down to fifth place on their list of priorities. Their fears over maintaining sales, another byproduct of disinflation, is a close second on the anxiety lineup.

While all this can easily be interpreted as a vote against the Reagan Administration's handling of the economy, an overwhelming majority—80%—of retail executives express confidence in the President's policies. Their vexation, it seems, is still directed at former President Carter, whose total disdain for big business was in stark contrast to the current pro-business environment in Washington.

Nevertheless, the right attitude doesn't always translate into the right solution; few chief executives anticipate any meaningful improvement in their ability to obtain financing for capital construction. A reflection of this pessimistic attitude is the expected decline of new stores projected for 1983—a possible drop of 13% over last year.

Faced with the prospect of stagnant economic expansion, a plurality of top chain executives—70%—feel certain that price will continue as the overriding customer attraction in the year ahead. Twenty per cent expect convenience to be the single most competitive factor, while variety, quality and service were each relegated to minor roles—3%—as tools for drawing shoppers.

With top chain managers still feeling the stinging effect of warehouse stores, which were inaccurately predicted by last year's Outlook respondents as minimal threats to conventional supers, this year's polling reveals that more than 9 out of 10 executives expect the appeal of these no-frills outlets to continue growing. Even more discomforting, the same number, 92%, worry that not even a further moderation of retail food prices will halt the spreading incursion of warehouse stores over the next 12 months.

While those polled express little doubt that price will be an increasingly critical weapon in the battle to maintain market share, they are almost divided over the role generic products will play in the year ahead. Slightly over half the chief executives—56%—predict any gain in sales of plain-wraps, and in an equal display of uncertainty, the same number is split over whose expense this growth would come at, national brands or private label.

As supermarketers ride out the recession, they'll be placing their emphasis this year on remodeling

Price seen as biggest customer draw

Seven out of 10 participants forecast price as the strongest magnet for shoppers.

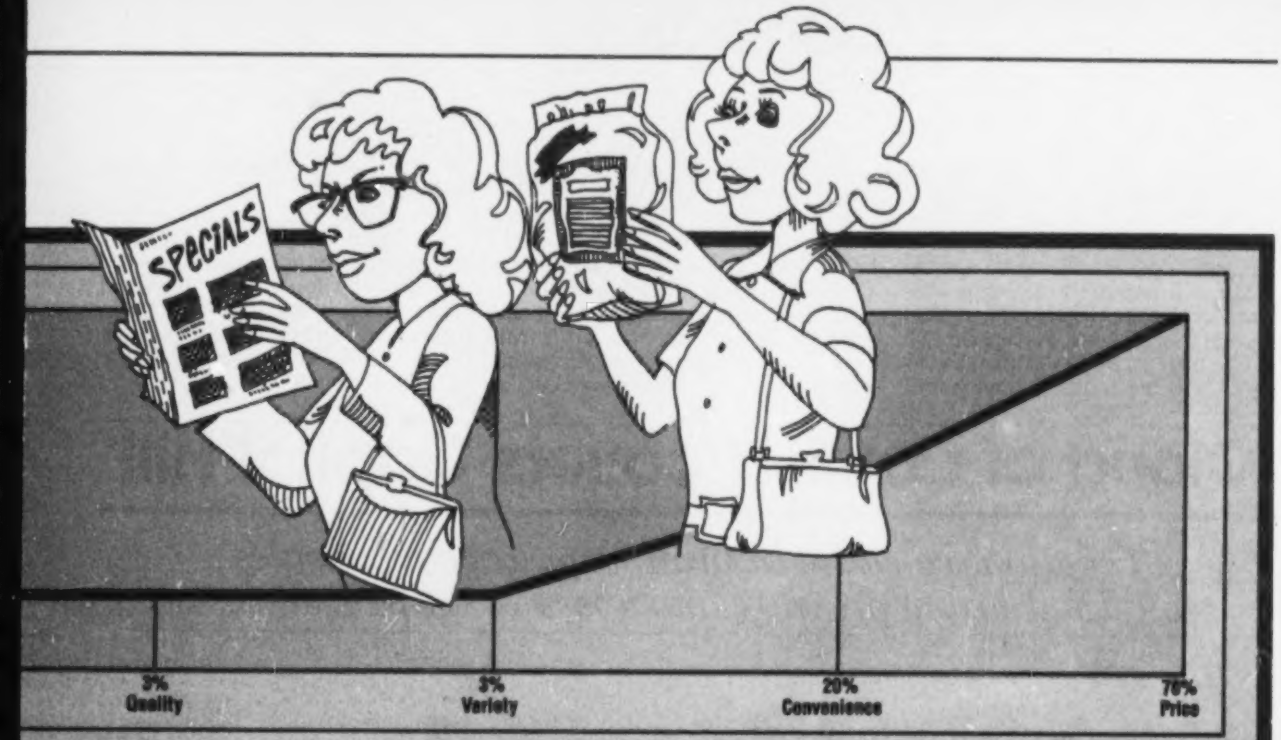
Lean times projected for meat sales

A full 20% of retail executives anticipate a decline in meat sales, with the most optimistic outlook seen as 5% growth.

92% **Feeling th**

More than 9 out
growing, even i

Source: CSA Research



68%

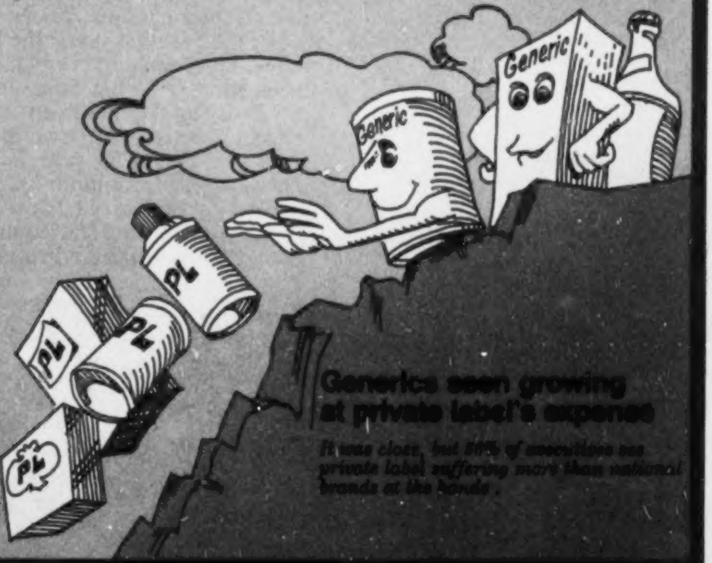
The growing influence of GM

Nearly 7 out of 10 new stores planned for 1983 will carry expanded lines of general merchandise.

YELLOW LABELS
TELL YOU BARNEY'S
REGULAR PRICE.

mpact of warehouse stores

f 10 executives see the appeal of warehouse stores od prices moderate in '83.


Generic
Generic
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Generics seen growing at private label's expense

It was close, but 50% of executives see private label suffering more than national brands at the hands .

BEST AVAILABLE COPY

and recycling existing units. Of the newly constructed stores, a disproportionately high percentage will be opened by chains operating in the Sunbelt.

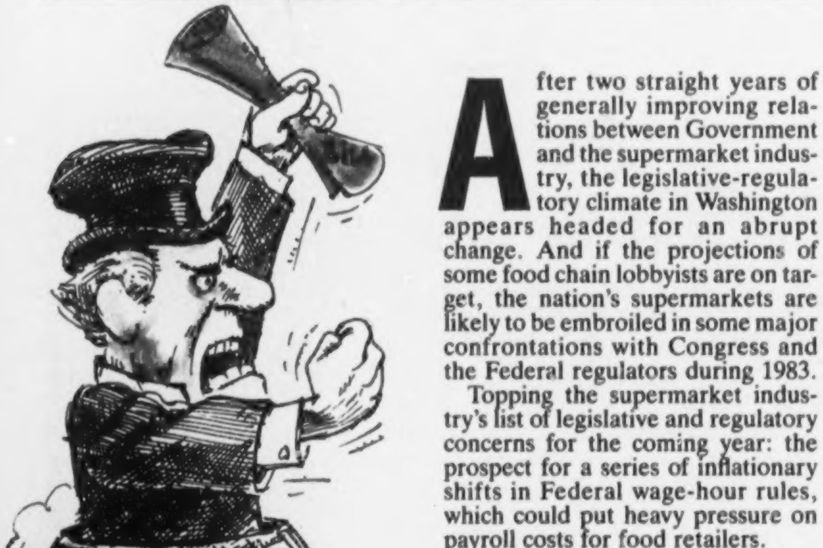
Underlining the growing prevalence of the superstore, the typical new unit in 1983 will average 38,000 sq. ft., nearly 12% larger than a year ago. Contributing to this huge jump: plans by at least three major chains to open outlets of 60,000 sq. ft.-90,000 sq. ft.

Spurring this move to bigger units is the deepening commitment to expanded lines of general merchandise. In perhaps what is the most striking turnaround of a historical retailing philosophy, nearly 7 out of 10 executives will be relying heavily on nonfoods as a bottom line cushion.

One surprising note about this year's Outlook survey: Despite highly touted claims by industry analysts for the need for greatly improved productivity, it received only token mention by chief executives as one of the major challenges they face in the year ahead. ☐

Cloud of conflict covers Capitol Hill

Inflationary shifts in minimum wage-hour rules could put heavy pressure on supermarket payroll costs



After two straight years of generally improving relations between Government and the supermarket industry, the legislative-regulatory climate in Washington appears headed for an abrupt change. And if the projections of some food chain lobbyists are on target, the nation's supermarkets are likely to be embroiled in some major confrontations with Congress and the Federal regulators during 1983.

Topping the supermarket industry's list of legislative and regulatory concerns for the coming year: the prospect for a series of inflationary shifts in Federal wage-hour rules, which could put heavy pressure on payroll costs for food retailers.

For the past two years, the Federal minimum wage has remained unchanged at $3.35 per hour, and this pay floor stability has been credited with helping to hold down industry wage increases. This year, however, a major new minimum wage bill backed by organized labor is expected to attract wide support in Congress. Even normally optimistic supermarket industry lobbyists concede that a substantial hike in the Federal wage floor is likely to be approved by 1984 at the latest.

Significantly, organized labor leaders are expected to resurrect their unsuccessful 1977 scheme for a minimum wage "indexing" provision requiring automatic annual increases in the pay floor in lock-step with rises in overall U.S. industrial wage levels.

Such an escalator clause could trigger a permanent "ripple effect," creating constant payroll pressures on industries such as supermarketing that typically pay higher than minimum hourly wage rates.

Despite President Reagan's open opposition to Federal minimum wage increases, some industry lobbyists don't expect much more than token Administration resistance to such legislation during the 97th Congress. And on other labor-sensitive issues, some supermarket Government affairs experts see Administration regulators joining the enemy camp this year.

By the end of this month, for example, the Labor Department's Wage and Hour Division is likely to uncork new "white collar" salary test levels sharply increasing minimum weekly wage requirements for assistant store managers and other industry supervisors exempt from Federal overtime pay rules.

Under current Fair Labor Standards Act regulations, "administrative" or "executive" employees whose main duty is management are not entitled to premium overtime

Time-pressed, wallet-conscious consumers would rather switch than spend time and money

Price reigns supreme as shoppers' main draw

Price retained its crown as king of the supermarket attractions in five major-market consumer attitude surveys conducted by *Chain Store Age Supermarkets*.

Results of Lebhar-Friedman Research interviews in 1982 in St. Louis, Seattle, Houston, Boston and Atlanta showed that supermarket shoppers are switching stores more than ever, with price the single biggest reason.

An average of 17.5% of the respondents said they had changed favorite supers during the past 12 months; price was the reason 30.8% of the time.

The prime position of price is no surprise, but the increasing allure of convenience is also worthy of note. Time-pressed consumers consider convenience almost as potent a lure as price. More than one-fourth of those who switched favorite stores—26.7%—said they did so to make life easier.

Indeed, in two of the areas surveyed, convenience outweighed price. In Seattle, 33.4% named it the decisive factor, while 30.8% were influenced by the final ring-up. And in Boston, even more—41.5%—switched for convenience, while 30.2% switched to save money.

These figures are even more dramatic when compared to 1981 responses from consumers in northern New Jersey, Los Angeles, New Orleans, Minneapolis-St. Paul, Chicago and Washington, D.C. The average number who said they switched for convenience was about half of that in '82—just 13.9%. Price was a stronger attraction than in the more recent series, causing 37.8% to change their favorite store. There were 2.2% more switchers than in 1981.

In Houston, 23.3% of the respondents said they had changed their allegiance. Encouraged by Houston's growth and healthy economy, many recently opened stores offer shoppers a wider choice than in the past and new reasons for picking a new super.

The increase in store-switching was just one way in which shoppers showed their increasingly demanding nature. In each and every category of customer preference, 1982 tallies were up over 1981. Even produce, cited as the top priority in '81 by a whopping 91.2%, increased its score to 93.7%. Store cleanliness managed to outpace meat selection for the No. 2 spot in overall importance, climbing to 89.6%.

Meat fell another notch from its one-time position as store leader. The shift in Americans' eating habits from red meat to meals lower in cholesterol may have influenced the

Low prices, convenience are primary lures

(% of switching shoppers citing as the main reason:)

	Lower prices	More convenient	Shopper moved	Better quality produce & meat	More product variety	Store closed
St. Louis	32.0%	20.0%	14.0%	12.0%	10.0%	20.0%
Seattle	30.8	33.4	23.1	12.8	17.9	—
Houston	27.1	18.5	10.6	17.1	—	—
Boston	30.2	41.5	22.6	13.2	15.1	—
Atlanta	34.0	20.0	28.0	2.0	10.0	8.0

Source: Lebhar-Friedman Research

Convenience more important than in '81

(average % of switching shoppers citing as the main reason:)

	Lower prices	More convenient	Shopper moved	More product variety	Store closed
1982	30.8%	26.7%	19.7%	10.6%	5.6%
1981	37.8	13.9	10.6	10.9	10.5

Source: Lebhar-Friedman Research

results. But the quality of a supermarket's meat is still vital to 89% of the respondents, rising from 85.7% in '81.

Three areas recorded the biggest increases: (1) ad specials; (2) variety and quality of private label, and (3) helpful workers.

The first two categories reflect economic concern. Ad specials were "extremely or very important" to 60.1% of the respondents—an impressive 8.7% increase. That doesn't mean shoppers have turned their backs on low prices, however. That area still outpaced the specials, scoring vital to 81.5%.

Variety and quality of private label rose from a top concern of 46.8% to 56.5%. That may also be a reflection of price-consciousness and more awareness of the store-named items produced by increased advertising and in-store emphasis.

The final surge, though, came in an area decidedly not linked to the pocketbook. The importance of helpful workers was a hot topic with 64.4% of the shoppers interviewed, as opposed to 54.9% the year before.

One possible reason is that harried working people, sandwiching food shopping in among other chores and tense after a day of on-the-job pressures, find a helpful and courteous attitude more important than ever. ☐

About the surveys

In 1982 CSA Supermarkets *delved into consumer attitudes in Seattle, Houston, Boston, St. Louis and Atlanta. Six surveys conducted in 1981 spotlighted northern New Jersey, Los Angeles, New Orleans, Minneapolis-St. Paul, Chicago and Washington, D.C.*

Produce exerts strongest pull

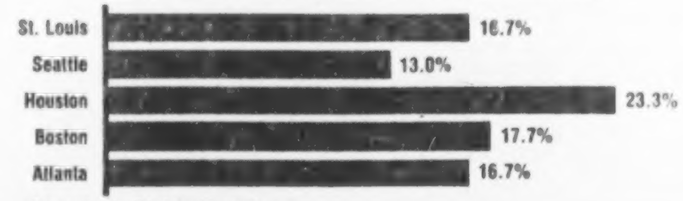
(% of shoppers rating as extremely or very important)

	St. Louis	Seattle	Houston	Boston	Atlanta
Quality produce	93.3	93.4	93.0	91.7	92.3
Cleanliness	91.0	84.4	93.0	88.7	91.0
Quality meat	91.0	83.3	89.0	88.6	93.0
Low everyday prices	85.0	79.0	85.0	72.0	80.7
Convenient location	82.0	79.7	85.0	72.0	80.7
Fast checkout	70.4	61.3	80.0	61.6	77.7
Helpful workers	73.6	57.0	70.0	54.3	67.3
Ad specials	68.7	61.7	52.0	52.3	66.0
Variety & quality of national brands	64.0	52.0	57.0	60.0	66.3
Variety & quality of private label	69.7	52.6	52.0	50.3	58.0
Selection of general merchandise	53.4	48.6	55.0	54.3	59.4
Variety & quality of generics	34.4	24.6	25.0	19.7	20.6
Selection of H&BA	26.0	16.3	27.0	8.3	25.7

Source: Lebhar-Friedman Research

Houston shoppers play musical stores

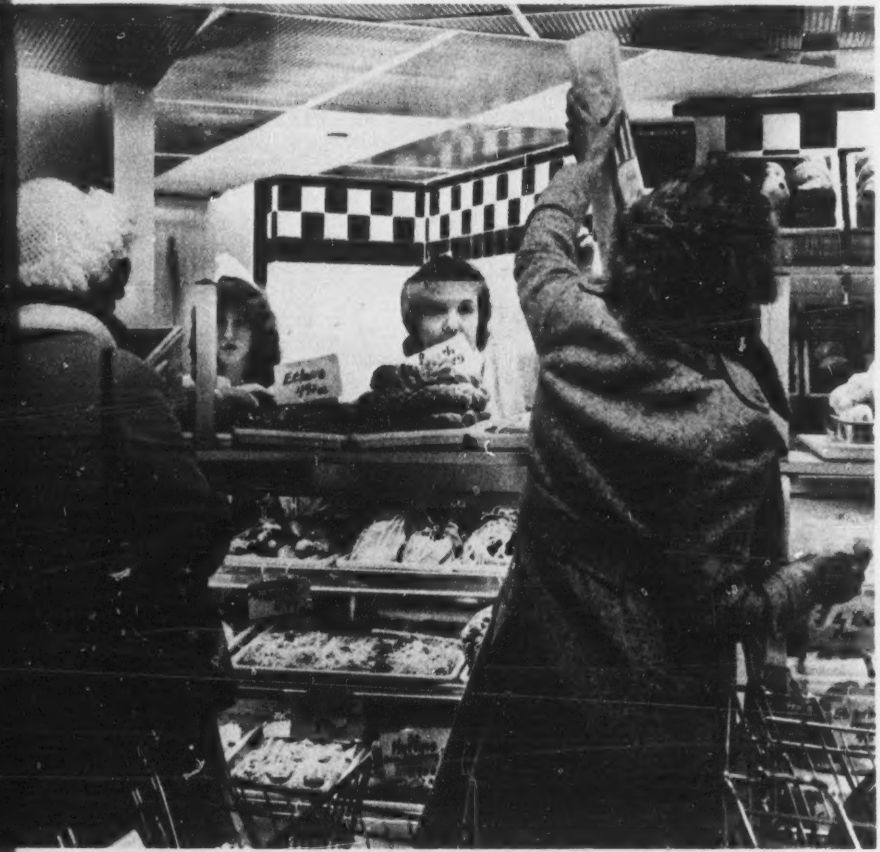
(% of shoppers changing favorite stores in last 12 months)



Source: Lebhar-Friedman Research

Committed supermarkets can't rely on cookie-cutter solutions to guide them to the right choice for the 80's

'How?'—that's the burning issue for bakeries today



By limiting selection, *supermarket bakeries get high turnover from their turnovers.*

There's something dramatic happening in in-store bakeries. The "should we?" question has faded in importance as supermarketers incorporate bakeries into most of their new and remodeled stores. Now the question is "*how* should we do it?"

The debate between scratch vs. mix vs. frozen bakeoff still exists, but retailers have decided that the answer depends on the circumstances of each store. Many observers point out that a scratch bakery may not work without sufficient population density and ready availability of trained bakers. Others claim that new emphasis on "fresh and natural" may make frozen bakeoffs less popular.

More and more operators, however, point out that a combination is best. Industry observers say that light mix products are often building frozen programs today, as retailers turn to multiple suppliers to fine-tune the best selection for their area. In other cases, a baker is employed to add his own touches to frozen or mix items or to prepare special product, perhaps geared to the ethnic mix of the clientele.

Some retailers are moving in directions that may seem to contradict traditional approaches. For instance, in New England, many warehouse stores have begun to introduce scratch bakeries. Incorporating massive equipment into their outlets, they're investing sizable sums in facilities and personnel.

First National's Edwards Food Warehouse has supported new bakeries with double-truck ads, explaining "We do more of less. Only the best-selling varieties at warehouse prices. We mix in large batches, which reduces costly starting and stopping."

The message is clear: The limited selection and quantity efficiency of traditional warehouse stores is overshadowed by a large initial investment and labor costs that are uncommon to the warehouse approach.

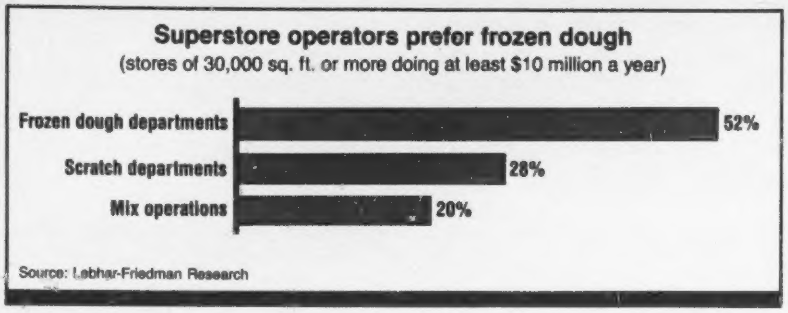
Other chains are looking in different directions for bakery efficiency. Kroger is doing it through the frozen dough approach. Last fall, the nation's second largest supermarket chain opened a frozen dough and health-bread bakery in Bowling Green, Ky., to supply stores chainwide. Kroger officials say "growing demand and our insistence on high quality" provided the impetus for the 145,000-sq.-ft. facility.

Kroger isn't stopping there, however. In partnership with Corning Glass Works, it's now building a whey conversion plant, thereby killing two birds with one stone. Whey is a waste product produced in dairy operations that is expensive to dispose of. The whey from Kroger's dairies will now be changed into baker's yeast for the chain's bakery.

Less is more: Going beyond the "hows" of production are the "whats"—what should the bakery produce? That answer is becoming "not too much." Says Jim Davison, marketing director of Country Home Bakers, "There's a tendency to confine the line of product to high-turnover items and items that will give a better return on investment. Breads, rolls, danish, breakfast items—muffins and bagels—are all popular.

"Instead of 40 or 50 items," he continues, "25 are being produced on a volume situation."

This approach—a limited selection produced in large quantities—is being promoted by other firms, like



Superstore operators prefer frozen dough

(stores of 30,000 sq. ft. or more doing at least $10 million a year)

Source: Lebhar-Friedman Research

P. K. Halstead Associates. Roy Halstead points out that a complete assortment is not necessary—and not desirable. He claims freshness and efficiency is encouraged by narrow-and-deep production—large volume but limited assortment, carefully chosen for the store's specific market area.

Halstead also believes in an open bakery, with customers able to see the product being made with as little blockage as possible, combined with self-service. Self-service, he says, means less waiting for the customer, thus reducing lost sales because of long lines—and, not incidentally, reducing selling expense.

A similar theory is put forth by Davison. "Our company is very interested in promoting 'serve-yourself,' " he confirms. Country Home supports a program where the customer selects an item and does her own bagging. In some instances, upright cases, similar to closed-door frozen food cases but not as massive, are used to present the product. The customer opens the case and picks up the desired product with tongs or tissue paper. The concept calls for family unit pricing—all items priced the same. The customer packages it in clear plastic, so the cashier is able to count the items. Rolls and similar items are often offered in bins rather than uprights.

Davison points out this approach is popular with consumers who are able to choose the particular item they want, as well as the quantity.

For the retailer, this method cuts down on labor costs, one of the biggest drawbacks of in-store bakeries. It also saves on packaging, since the plastic containers are relatively cheap. An extra bonus is the activity it creates within the department, forcing continuous baking that produces fresher product.

Retailers breaking ground in this area include Wegman's in upstate New York. Others jumping on the bandwagon are Tops, Star Markets, Stop & Shop, A&P and Shaw's.

Davison also praises innovations now being offered by case manufacturers, adding that items like units with partial refrigeration and changing styles will help make merchandising increasingly sophisticated.

Sophistication is the key to the approach favored by Ed Weller of the Weller Co., bakery consultants. Weller is an advocate of the trend toward boutique-style bakeries, with an architectural and design approach that sets it apart from the rest of the store. High-quality items offered in a distinctive setting, with personalized selling, can spell success, he claims.

But he opposes combining it with deli; even though there would be labor savings, the combination makes a boutique approach harder. ☐

Central bakery works for Stop & Shop

Even as the popularity of in-store bakeries increases, the central bakery still plays a prominent role for many supermarket companies. Take, for example, one operated by Stop & Shop Cos. in Boston.

The only full-line supermarket bakery still operating in New England, the bakery provides all Stop & Shop private label and generic breads, rolls, doughnuts and pies, as well as goods for other supers. Chain officials say they can control cost and quality of product better with their own facility. By maintaining their own distribution, they can get product to the stores fresher than if supplied outside.

Stop & Shop's 300 central bakery employees turn out 600,000 packages each week.

The bakery schedule means goods are produced one day, shipped out that night in as many as 19 trucks, and in stores the next day; 600,000-650,000 packages go out each week.

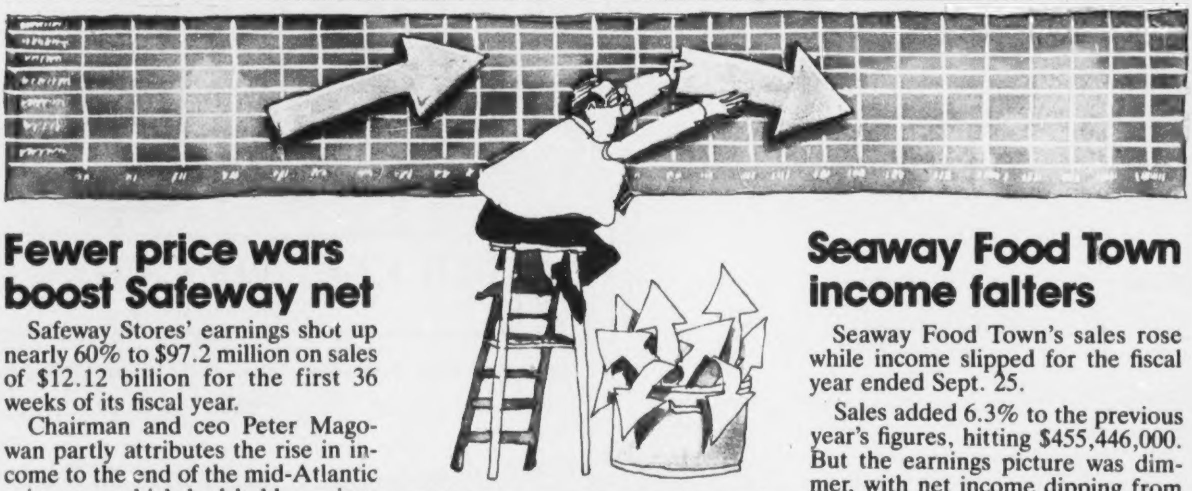
It takes 300 employees, many of whom have been with the bakery since Stop & Shop moved into the facility in 1945, working two shifts five days a week to accomplish that task. Each type of item is produced on its own floor in the six-story building; each floor covers 30,000 sq. ft.

Flour is delivered by rail in 100,000-lb. cars or 50,000-lb. tanks and pumped up to three huge silos. Pure vegetable shortening, corn syrup and liquid sugar are also delivered in bulk; a six-week rotation is aimed for.

Companies wishing to supply the ingredients first must submit a sample to the bakery's quality control lab. Only after it has been declared acceptable can the firm approach a buyer.

This same lab is used for product development; Stop & Shop No Salt Added breads is one example.

As the chain expands its in-store bakeries, the central bakery may begin to supply the stores with mix or frozen dough.



Fewer price wars boost Safeway net

Safeway Stores' earnings shot up nearly 60% to $97.2 million on sales of $12.12 billion for the first 36 weeks of its fiscal year.

Chairman and ceo Peter Magowan partly attributes the rise in income to the end of the mid-Atlantic price war, which had held earnings down in 1981. Sales, he said, continued to increase throughout the year, but he cautioned that the recession, low food price inflation, effect of the peso devaluation on stores near the Mexican border, foreign currency declines in international operations and closing of the Omaha division all caused the growth rate to slow in the third quarter.

However, according to Magowan, the earnings improvement came primarily from United States retail operations, the area in which the company is looking for most opportunities. He singled out the firm's Superstore program as a key to United States success, saying the jumbo stores, which now represent 20% of Safeway units, are "rapidly becoming our dominant merchandising vehicle."

At the end of the third quarter, the massive chain was operating 2,460 stores, 28 more than a year before.

Allied comes back after rocky year

All things considered, the first quarter of fiscal 1983, ended Oct. 16, was a profitable one for Allied Supermarkets.

The firm, which emerged from Chapter XI last year, recorded pretax income of $2,024,000. Sales were $179,741,000. Although these figures were not as good as those in the first quarter of '82, when pretax income was $2,845,000 on revenues of $188,730,000, there were a number of important differences between the two periods. Allied is presently operating nine fewer supers (75) than it did a year ago, and labor concessions expired during '82.

Chairman and president Jack Rixmann predicted that the chain will be profitable throughout the year but stressed that it faced severe challenges.

Seaway Food Town income falters

Seaway Food Town's sales rose while income slipped for the fiscal year ended Sept. 25.

Sales added 6.3% to the previous year's figures, hitting $455,446,000. But the earnings picture was dimmer, with net income dipping from $5,203,000 to $4,049,000.

At year's end, the firm operated 73 stores in northwestern and central Ohio and southeastern Michigan, as well as fielding a food-service division. In the course of the year, the company eliminated its wholesaling activities and opened new units in four Ohio towns.

Village earnings hit record high

New Jersey-based Village Super Market reported record sales and earnings for the year ended July 31, with income soaring 20% to $1,625,017. Sales kept well ahead of the slowing inflation rate, increasing 13% to $303,992,551.

The ShopRite affiliate operates 20 units in north central New Jersey and eastern Pennsylvania.

Supermarket Financial Scoreboard

Operation	Period	Date	Sales	% Inc./ dec.*	Net Income	% Inc./ dec.*	Net-to-sales ratio
King Kullen	year	10/2	$ 428,127,028	4.3	$ 2,413,965	23.3	0.56
Seaway Food Town	year	9/25	455,446,000	6.3	4,049,000	−22.2	0.89
Village	year	9/31	303,992,551	13.0	1,625,017	20.0	0.53
Arden Group	9 mos.	10/2	372,112,000	− 4.4	2,505,000	−29.5	0.67
A. J. Bayless	9 mos.	10/9	294,565.000	0.5	1,064,000	−35.8	0.36
Mott's	9 mos.	10/1	220,174,455	2.0	2,629,059	21.0	1.19
Safeway	9 mos.	9/11	12,112,300,000	7.1	97,200,000	59.3	0.80
Allied	3 mos.	10/16	179,741,000	− 4.7	2,024,000	−94.1	1.13
Wetterau	3 mos.	10/2	554,345,000	17.0	3,601,000	—	0.65

Source: *CSA Research*

*Compared to same period a year ago.

C5150-1 2/24/83

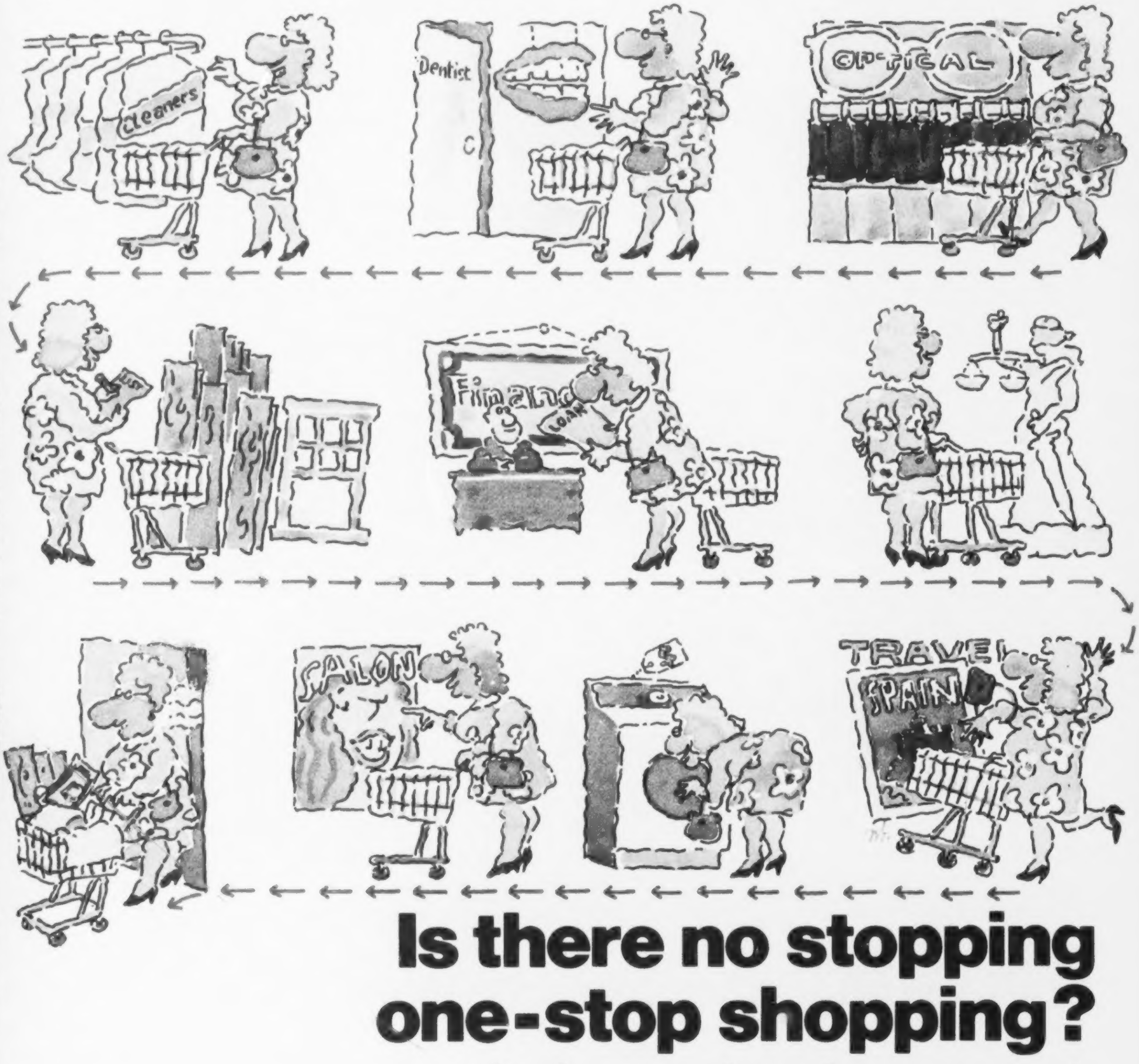
Scot Lad out to crack Chicago market

Frozen foods: a fresh look at what consumers think

Chain Store Age Supermarkets

THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

February 1983



Cleaners
Dentist
OPTICAL
Finance
LOAN
SALON
TRAVEL
SPAIN

Is there no stopping one-stop shopping?

It depends who you ask

TWENTY-EIGHT DOLLARS A YEAR (U.S.A.)

Chain Store Age Supermarkets

February 1983

Beyond apparel departments, what's fashionable these days in one-stop shopping? .... *p. 43.*

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Is there no limit to one-stop shopping? A provocative question, when you consider that less than a decade ago the superstore concept itself was a rarity. The answer—or answers—may surprise you **43**

Buying Habits Study

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Robert Cross

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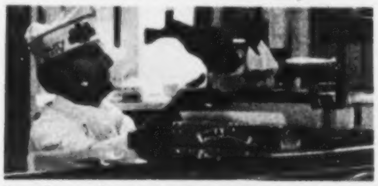

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Greeting cards, stationery, supplies

Last year Americans purchased an estimated 7 billion greeting cards, billions of pens and pencils and tons of paper supplies. This special section examines what share of this highly lucrative category supers enjoy **3**

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Cards, stationery, office supplies:

PERFORMANCE PLUS

If you think the stationery, greeting cards and home, school and office supplies business is small potatoes, take another look:

Last year Americans purchased an estimated seven billion greeting cards—the equivalent of nearly 28 cards for every man, woman and child in the country. Students of all ages used mounds of theme paper, not to mention billions of pens, pencils, erasers, scissors, and more. Office workers and professionals, often working out of their own homes, consumed tons of paper supplies, staples, clips, writing instruments and much, much more.

Add up the numbers, factor in the attractive retail margins, and the greeting card, stationery and home/office supplies market comes off looking like one of the most tantalizing supermarket and drug store general merchandise departments ever.

With annual turns averaging six to eight times and margins as high as 50%, these products are attracting more and more attention from mass market retailers seeking sure-bet traffic builders that guarantee increased sales and profits.

Research shows that in the past five years, the average supermarket has increased the size of its greeting cards department alone by 40%. In fact, more than 85% of all newly opened supermarkets now have a full-fledged greeting card department, including peripheral lines like gift wrap, party supplies and can-

THE PROOF IS IN THE PROFITS

dles. These items, in most cases, can account for up to 30% of the department's business. Drug stores too are expanding their greeting card, stationery and home/office supplies departments to generate more traffic and greater sales by catering to the time-pressed one-stop shopper.

With more than 50% of all American women aged 19 to 59 working outside the home, it's no surprise that the greeting card, stationery and office supplies business is booming. In many instances, the greeting card or personal letter is a quick and still relatively low-priced way of expressing a personal feeling without compromising the personalized touch. Despite the recent downturn in the economy—and perhaps because of it—greeting card sales jumped a whopping 30% in 1981. Industry experts are projecting similar gains for 1982.

School, home and office supplies, once almost the exclusive domain of independent "center city" retailers, have also proven to be profit-builders when merchandised and promoted by mass market retailers who today hold the primary locations positioned closest to most home/office and school supplies customers.

The move in recent years by offices from downtown to suburban addresses, as well as the rapid growth in the number of at-home businesses, has also helped propel sales of these products.

Industrywide Seasonal Card Sales

Christmas	3 Billion
Valentine's Day	800 Million
Easter	150 Million
Mother's Day	120 Million
Father's Day	75 Million
Graduation	65 Million
Thanksgiving	36 Million
Halloween	21 Million
St. Patrick's Day	20 Million
Grandparent's Day	10 Million
Everyday	2.5 Billion
Total	**$6,797,000,000**

Source: National Association of Greeting Card Publishers

Students, housewives, office employees and professionals—the same people who regularly shop at supermarket and drug stores—now expect to find their office supplies at a single, easy-to-reach location, rather than an off-the-road specialty store.

NOPA, the National Office Products Association, estimates that the typical "front office" employee working in America uses at least $450 worth of office supplies each year. Multiply that by the growing number of white collar or service-related workers in the country and the numbers, in terms of sales potential, are astounding.

Small businesses, many of them located in suburban shopping areas adjacent to regional or strip shopping malls, accounted for nearly three-fourths of the 13.9 million businesses operating in the United States in 1980, according to the Federal Bureau of Labor Statistics. Two years ago, these small businesses accounted for 43% of the nation's GNP, 48% of the gross business product and 58% of the national labor force.

It is precisely these small, sometimes unnoticed businesses that represent one of the fastest-growing opportunities for supermarket and drug store operators stocking expanded home/office supplies departments. Chains that act now to establish their stores as the office supply headquarters in their neighborhood will reap the benefits as more and more independent specialty stores go out of business.

The outlook for new caffeine-free colas is excellent: They're already spurring incremental sales and capturing shares of 5%-13%.

Birth of a new segment: caffeine-free colas

Less than eight months after the first caffeine-free cola soft drinks achieved national distribution in food stores, they are capturing between 5% and 13% of total category sales.

In some markets, they even seem to be responsible for a significant increase in the volume of the entire category.

But because much of the growth in this category is being attended with intense promotional activity, it is still not yet possible to determine exactly when sales will level off or to guess at just what point movement will stabilize.

It is clear, however, that the sales patterns for caffeine-free colas parallel patterns for regular colas and, indeed, for the entire soft drink category. Intense promotional activity—a hot price combined with a dramatic display—increases unit velocity 400%-600%, followed by a normal return to presale base movement as soon as the promotion ends.

In trying to assess the impact of caffeine-free colas on the soft drink category, Los Angeles-based TRIM Inc. studied sales patterns in supermarket chains in three sections of the country: the West Coast, East Coast and Midwest.

In the Midwest chain, where the first of six caffeine-free cola sku's were introduced last April, sales for the entire category were flat, up a negligible half a per cent. On the West Coast, where the first of the new introductions were also made in April, they were down a shocking 9%. On the East Coast, again with introductions starting in April, they were up 9%.

The difference in category growth is not dependent entirely on the introduction of the six sku's of caffeine-free colas that are currently available, however.

The West Coast chain, which suffered a dramatic decline in this very price-sensitive high-volume category, may have provoked the loss by significantly reducing promotional activity in the category. TRIM's files show that this chain clearly restricted promotional activity on soft drinks, particularly on the cola brand that one year ago accounted for a third of all cola soft drink sales.

How the caffeine-free cola segment is shaping up
(average cases moved per store per week for 12 weeks ended 11/6/82)

	Caffeine-free colas	Total soft drink category	% of sales of total category
West Coast chain	147	1,345	11.0%
Midwest chain	109	1,979	5.5
East Coast chain	380	2,950	13.0

Source: TRIM Inc.

In contrast, the caffeine-free cola subsegment, which was heavily promoted during 1982, grew to the point where it accounted for 11% of total category sales at the end of November. The performance is particularly impressive because it comes at a time when total category sales were declining.

At the end of November, the five sku's in this chain's caffeine-free cola subcategory were generating an impressive 147 *cases* moved per store per week. The entire soft drink category was moving 1,345 cases per store a week.

Until late August, there were only three players in this subsegment: Like, RC Decaffeinated Cola and RC 100 (a sugar-free decaffeinated cola). The last two, Pepsi Free and Pepsi Sugar Free, didn't come in until the beginning of September.

In October, when this chain took a substantial price reduction on the 6-

Identifying the brand winners
(average cases moved per store per week for 12 weeks ended 11/6)

	West Coast chain		Midwest chain		East Coast chain	
	Average cases moved per store per week	% segment	Average cases moved per store per week	% segment	Average cases moved per store per week	% segment
Like	32	22	34	31.0	135	36
Like Sugar Free	n.a.	n.a.	15*	14.0	25	6
RC Decaffeinated	16	11	6	5.0	10	3
RC 100	44	30	26*	24.0	35	9
Pepsi Free	28	19	14**	13.0	90	24
Pepsi Free Sugar Free	27	18	14**	13.0	85	22
Total caffeine-free cola segment	147	11	109	5.5	380	13

*Based on eight weeks movement **Based on five weeks movement

Source: TRIM Inc.

Pepsi Free's sales performance in its first three months
(West Coast chain: cases per store per week—2-liters, 6-pack 12-oz. cans, 8-pack 16-oz. returnables)

Weeks on shelf	Pepsi Free	Pepsi Free Sugar Free
*1	41	40
2	30	31
**3	47	43
4	39	34
5	26	22
6	23	23
7	23	24
8	22	22
9	21	21
10	22	22
11	23	27
12	20	21

*Price reduction on 6-pack 12-oz. cans

**50¢ manufacturer coupon, price reduction on 2-liters

Source: TRIM Inc.

pack 12-oz. cans of one brand, reducing the price for a week from $2.49 to 99¢, movement increased 3,400%. The week after the promotion ended, movement was still up 700%. Particularly interesting is the fact that this chain increased unit movement on one caffeine-free cola brand 3,400% without hurting movement of the other caffeine-free cola brands. Sales for these competing brands remained the same during the entire week of the promotion, meaning that this subsegment increased its growth without cannibalizing sales of other players in the segment.

In the Midwest, where total soft drink category sales in the chain studied were flat on a year-to-year basis, the caffeine-free cola subsegment with six players had captured 5.5% of total category sales for the 12 weeks ended Dec. 4.

On the East Coast, where total category sales were up 9% over year-ago figures, the caffeine-free cola segment, again with just six players, was capturing 13% of total category sales at the end of November.

In a scenario that was fairly typical for all three parts of the country, the caffeine-free colas were first introduced to the stores at a regular shelf price. During the items' first weeks in the stores, manufacturers heavily saturated the market with coupons offering 25¢ or 50¢ price reductions. During the second or third week, retailers started to offer the brands at deal prices.

In the case of one player, its 2-liter was introduced at a regular price of $1.49. At that price and with 100% distribution in the chain, it started moving nine cases per store per week. The price was reduced to $1.19 its third week in the store. Movement peaked at 100 cases per store a week, and eventually leveled off at 12 cases.

Another 2-liter caffeine-free cola came in at $1.49, moving eight cases per store a week. When the price went to $1.09, the chain began moving 100 cases. Movement gradually returned to the eight-case level as the promotion ended.

Today, with four of the major items in national distribution since last spring, two more out since the fall, and others scheduled to make their debut shortly, it is clear that the industry is witnessing the birth of a potentially powerful new category.

To continue to gain trial and build a franchise among consumers, manufacturers can be expected to keep dealing and supporting this category at least through the first half of 1983. By then the industry should have a fairly clear idea of where this subsegment fits in.

Even now, a study of scanner data does reveal some preliminary trends: Among the three major brands now on the market, Pepsi Free and 7-Up's Like tend to outperform RC's Decaffeinated Cola, but both face much stronger competition from the RC sugar-free caffeine-free entry, RC 100.

In the West Coast chain, for instance, RC Decaffeinated had only an 11% share of total caffeine-free cola sales while its counterpart, RC 100, had a 30% share. In comparison, Like had a 22% and Pepsi Free a 19% share.

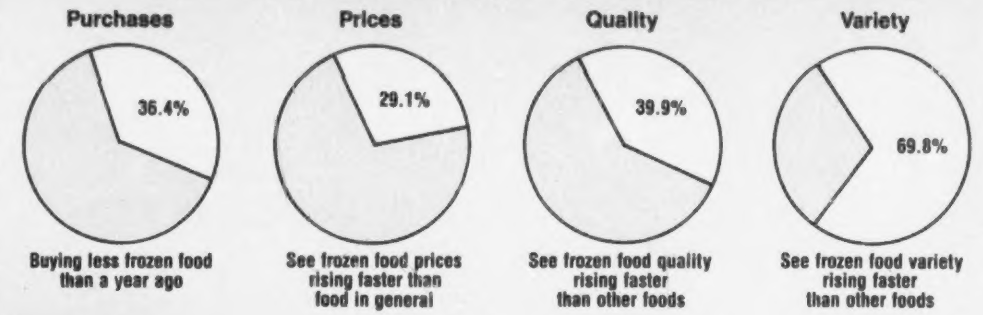
On the East Coast, where total category sales were up 9%, the two major colas, Coke and Pepsi, had each dropped a percentage point on a year-to-year basis while 7-Up remained stable. At a time when the category was expanding, however, these players should have enhanced their share. The fact that they did not experience growth tends to support the hypothesis that the new caffeine-free segment did create incremental sales.

So far most retailers have been merchandising these new players in family-type configurations on the shelf. Pepsi Free and Pepsi Free Sugar Free are usually positioned with regular Pepsi. Like and Like Sugar Free are merchandised in the section for colas. RC Decaffeinated and RC 100 are sold with their regular cola brethren in the cola section.

It is possible that retailers could spark the growth of this category even more by creating a special section on their shelves for caffeine-free colas. This segregated approach should make it easier for shoppers to find or notice the new category and might generate additional impulse sales.

Shoppers sleep through frozen food pizzazz-z-z-z

Despite more and better offerings, frozen sales could hit skids



Source: CSA/Leo J. Shapiro and Associates Inc.

Price promotions, attractive displays, product variety don't figure in supermarket shopper's decision to buy

Not surprisingly, convenience remains frozen food's outstanding attraction for shoppers. The eyebrow raiser is this, however: Despite growing attention to price promotions, attractive displays and product variety, supermarket operators apparently exercise little control over department sales.

These are some of the findings in an exclusive *CSA* study of frozen foods buying habits among consumers, conducted by Leo J. Shapiro and Associates, Chicago.

Few shoppers are persuaded to buy more frozen foods by vast selection, items on sale or coupons; fewer than 6% said they'd be enticed. By an overwhelming margin, product characteristics spur sales: Nearly half the shoppers—48.2%—cite convenience and ease of preparation, while 15.3% cite good taste and 9.9% longer storage as attractions that would influence them to buy more.

If this means retailers are wasting their time promoting frozens with sales and cents-off coupons, an everyday low-price strategy may better convey value—particularly in light of high price sensitivity shown by shoppers. However, retailers who bump laggards from their shelves in favor of high-quality, competitively priced new products are on the right track, as shown by shopper indifference to breadth of selection. The vast majority of shoppers say that new products—not wide variety—help spark their interest.

The heavily planned nature of frozen food purchases lies at the root of consumer indifference to retailer efforts. Without exception, products in all segments are bought deliberately about three times out of four. Juice sales lead frozens, being planned 83.3% of the time; subsequently, the No. 1 staple attracts the department's highest coupon usage, 25.4%.

Entrees rank highest among impulse buys at 30.2%, based on the strength of people under 30 and over 60 using them most. Considering single persons' lack of inclination to cook for themselves, and the convenience that entrees offer young working couples, this trend should continue. Notably, men pick up entrees eight times more often than women.

Brand name vegetables fare well on impulse buys, too. For instance, 39.3% of Birds Eye sales are unplanned, compared with private label's 15.1% and generics' 11.9%. As expected, store brand vegetables are much more likely to generate high coupon redemption. At 36.3%, they outscore Green Giant's rate by four times.

Shoppers may not give much thought to the frozen food section

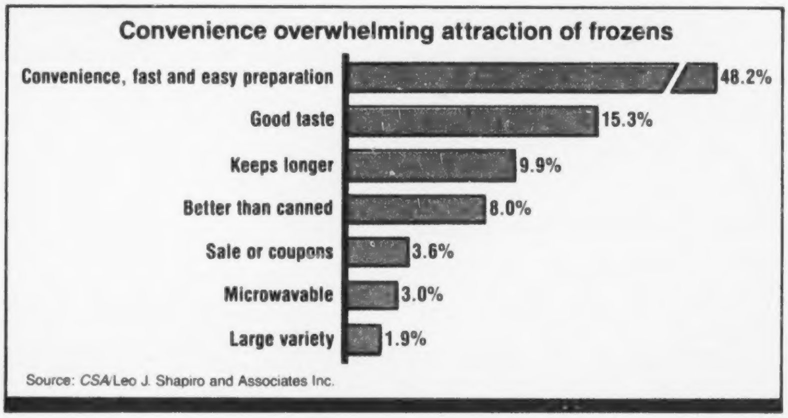
Major findings

- Fewer than 6% of shoppers say merchandising and product mix efforts by retailers encourage them to buy more frozens.
- About one in four frozen foods purchases are made on impulse.
- Coupons and sales attract only 3.6% of frozen foods shoppers.
- Less than one shopper in 50 considers frozens when deciding where to shop.
- More than 36% of shoppers are buying less frozen food than a year ago.
- Close to three shoppers in 10 believe that frozens' prices are rising faster than those of other foods.
- About 40% of shoppers prefer glass door cases with upright shelves.

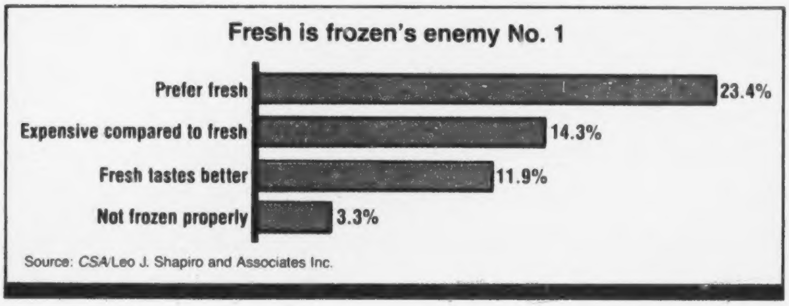
***Surprisingly, consumers are** generally indifferent to wide selections of frozen foods. What sparks their interest most in the category is new products.*

THIS WEEKS
FROZEN FOOD
FEATURES!
SALE

***Huge, direct signage** draws shoppers who are normally indifferent to in-store promos.*


Convenience overwhelming attraction of frozens

Source: *CSA*/Leo J. Shapiro and Associates Inc.


Fresh is frozen's enemy No. 1

Source: *CSA*/Leo J. Shapiro and Associates Inc.

in their local supermarket, but they do spend enormous sums of money shopping it; indeed, people who want frozens have no choice. Frozens are the exclusive province of supermarkets. Unlike meat, produce and dairy, there is no formidable outside competition. Despite this, frozens are an extremely weak lure for attracting shoppers to a particular store. Less than one shopper in 50, a mere 1.8% of those surveyed, consider frozens when deciding where to shop, while fresh perishables win hands down: 35.5% think of meat, 18.6% dairy and 10.3% produce. That's probably because frozens are packaged, while fresh perishables' quality, variety and pricing can vary greatly by store.

Nevertheless, supermarket designers who believe frozens can enhance store image may not be far off the mark. The department is highly visible: 52.7% of shoppers surveyed visit the frozen aisle, and nearly all—48.3% of the total—buy at least one item. For the most part, that reflects the planned purchase mentality rather than in-store merchandising inducements.

Although frozen's traffic rating is lower than produce's 76.6% and meat's 62.8%, its frequency of purchase compares favorably. In addition, close to two-thirds of those who shop frozens rate the department highly.

Despite generally positive ratings, shoppers show a strong preference for fresh foods. College graduates in particular cite frozen's relatively high cost, bland taste, additives and their own desire to cook as reasons they're staying away from cold aisles—and are consuming less frozens than those having no college.

Overall, an astonishing 36.4% of shoppers say they're buying less frozen food than a year ago. Of them, fully one in four—or 9.2% of the total sample—say they absolutely dislike frozens. This means that nearly one shopper in 10 will almost certainly not buy in this department. A substantial 7.5% are self-reliant; they grow and freeze their own. Another 6.2% cut back as a result of rising prices.

On the positive side, shoppers under 30 are the ones most likely to be buying more frozen foods today than a year ago; 43% say they are. Nearly one in four among the elderly—another singles market—are doing the same, as are men and women aged 45-59.

These groups comprise a majority of the 31.7% reporting heavier frozen food buying, thanks primarily to ease and speed of preparation, which they cite four times more often than any other reason. Others are changing family size, perceived lower cost and better taste. Apparently, price differences in various markets account for shoppers' dissimilar impressions of the cost of frozen foods.

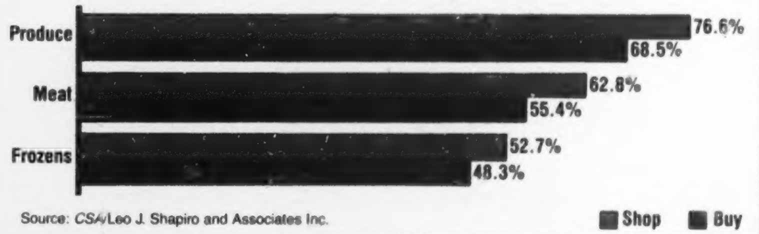
Close to three shoppers in 10 —29.1%—believe that frozens' prices are rising faster than those of other foods. By a more than 2 to 1 margin, shoppers having no college background perceive this. Generally low-income shoppers, they're more likely to be having trouble maintain-

Frozen food purchases are planned most of the time

Vegetables **(use coupon 15.5%)**	**78.9%**
Fruits **(use coupon 0%)**	**77.9%**
Pastries **(use coupon 23.8%)**	**70.0%**
Ice cream/ frozen yogurt **(use coupon 16.3%)**	**79.1%**
Juices **(use coupon 25.4%)**	**83.3%**
Fish/poultry **(use coupon 14.8%)**	**75.7%**
Entrees **(use coupon 10.0%)**	**69.1%**
Other **(use coupon 7.9%)**	**73.0%**

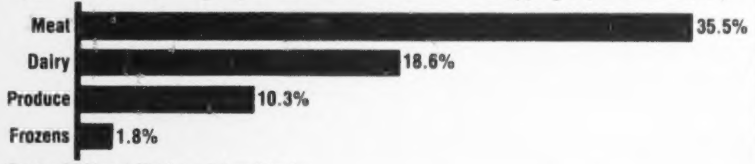
Source: *CSA*/Leo J. Shapiro and Associates Inc.

Browsers and buyers at leading departments



Source: *CSA*/Leo J. Shapiro and Associates Inc.

Frozen foods small factor in store selection
(% of consumers citing department as main reason for shopping at particular store.)



Source: *CSA*/Leo J. Shapiro and Associates Inc.

ing employment during the current recession. As a result, they're more price-sensitive.

Working in favor of retailers is a perception by four shoppers in 10 that frozen food quality is improving faster than other foods'; only 8.3% think it's diminishing. This suggests that manufacturers have been effective in conveying their message to consumers about quality standards. But retailers also play a contributing role here by taste-testing virtually all frozen foods before deciding to carry them. The diligence of buyers keeps most marginal products off the shelves.

College graduates, however—frozen foods' toughest market segment—remain skeptical. Less than one-third of them perceived fast-rising quality, although nearly half the high school graduates felt quality to be on the increase.

The trade's parallel concern for quality does little to diminish the proliferation of frozen foods. Buyers estimate that 1,200 new items a year—over 20 a week—vie for retail acceptance. To inject excitement, many retailers aim to carry as many as they can, provided they're backed strongly by manufacturers and are of good quality.

Shoppers would give high marks to this strategy, as long as unpopular lines are booted off the shelves to make room. They probably don't want to be overwhelmed with choice. Although 69.8% of those surveyed perceive variety growing faster in frozens than elsewhere in the store, wide selection means little to them. They'd rather be able to buy products they like from fixtures they prefer. The survey shows that consumers who are familiar with frozen foods in shelves prefer that type of fixture to the more common coffin case. ☐

About this study

This month Chain Store Age Supermarkets *begins its exclusive six-part study of consumer buying habits. This installment is one of the more exhaustive and comprehensive studies about the perceptions held by frozen food shoppers. It's based on 525 telephone interviews conducted nationally by Leo J. Shapiro and Associates Inc., Chicago, with supplemental analysis from* CSA.

Future reports will center on H&BA, dairy, general merchandise, produce and meat.

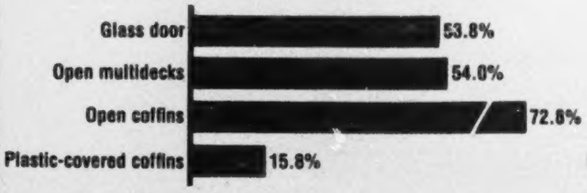
Consumers who know glass cases prefer them

Suppliers of glass-door frozen food cases should spread the word more. Although many supermarket shoppers aren't familiar with the units, according to the *CSA*/Leo J. Shapiro frozen foods survey, glass cases tend to win over consumers who have seen them. Although only slightly more than half the shoppers are familiar with glass door cases, 39.8% of the total sample—the vast majority of those who've bought from stores using them—prefer them. This is great news for retailers who've turned to them lately for their flexible shelving design and energy conservation features.

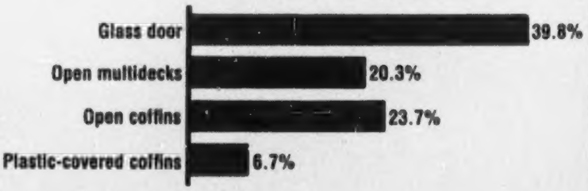
Another 20.3% prefer open multidecks. Together, that's 6 out of 10 shoppers who rate shelves higher than coffins. Approximately 24% say they like open floor cases, while fewer than 7% opt for plastic-covered coffins.

Notably, 42% of those who favor coffins are buying more frozens than a year ago, while just 30% of shelf advocates are. Some 65% of shoppers who prefer to buy from floor cases say they're easier to reach into; 24% perceive better product visibility. Similarly, close to half the shoppers preferring shelves think they're easier to reach into; 34% say they see products better. In addition, many say shelves keep food colder and more attractive.

Cases shoppers see most often . . .



. . . and the ones they prefer



Source: *CSA*/Leo J. Shapiro and Associates Inc.

Supermarkets anticipate tremendous growth as more manufacturers set up expanded systems

Backhaul shifts into high gear

Despite a slow start, backhaul has saved supermarket operators $109 million since 1979. Even greater savings are expected over the next few years, according to the Interstate Commerce Commission. The supermarket industry anticipates tremendous growth in using its own fleets to pick up food and grocery products from manufacturers on otherwise empty runs.

Backhaul was greatly encouraged by Section 8 of the Motor Carrier Act of 1980.

Customer pickup allowances as a per cent of sales for retail chains increased from 0.11% in 1979 to 0.12% in 1980 and to 0.14% in 1981. That's a 9% increase from 1979 to 1980, and about a 17% rise from '80 to '81.

For wholesalers, the picture has been different. Small- and medium-size companies experienced only a slight increase in the ratios of pickup allowances to sales, according to the ICC. Some larger wholesalers have increased pickup activity dramatically, but most of that was not connected with Section 8. Rather, it was more a result of business expansions and increased transportation activity.

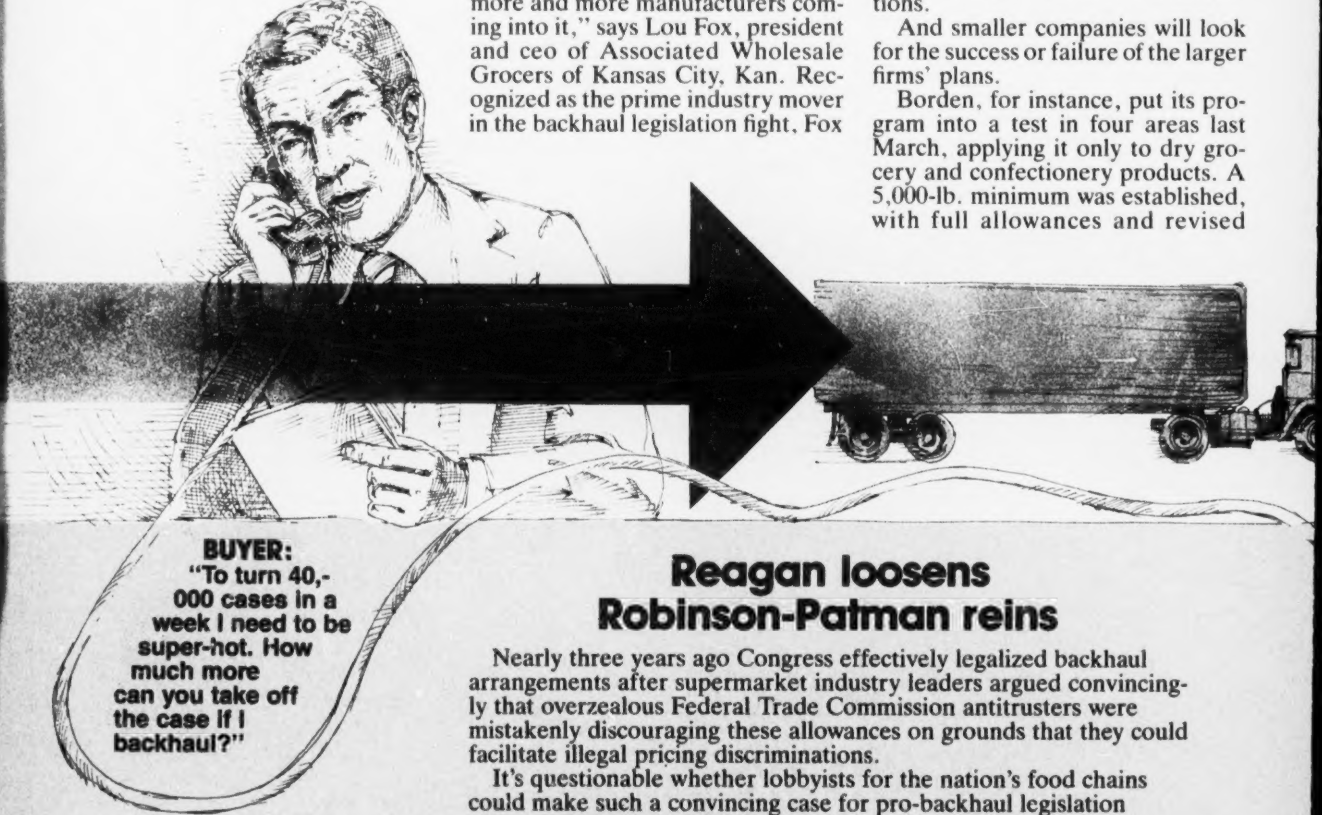
However, there was still a big jump this year, and 1983 promises to be a banner year.

Until recently manufacturers have been slow to set up expanded backhaul systems. "We're now seeing more and more manufacturers coming into it," says Lou Fox, president and ceo of Associated Wholesale Grocers of Kansas City, Kan. Recognized as the prime industry mover in the backhaul legislation fight, Fox says that with large firms like Borden and Procter & Gamble entering the field, other manufacturers will follow with expanded backhaul programs.

Why has backhaul been in low gear? "Manufacturers have had an adjustment time in gettting systems set up," explains E. L. Crowder, director of warehouse and transportation for Memphis-based Malone & Hyde. What's more, as Fox adds, manufacturers were waiting for rulings from the Federal Trade Commission on the interpretation of language in Section 8. Both The Grocery Manufacturers of America, once opponents of the plan that now take a hands-off attitude, and Procter & Gamble asked for clarifications.

And smaller companies will look for the success or failure of the larger firms' plans.

Borden, for instance, put its program into a test in four areas last March, applying it only to dry grocery and confectionery products. A 5,000-lb. minimum was established, with full allowances and revised


BUYER:
"To turn 40,000 cases in a week I need to be super-hot. How much more can you take off the case if I backhaul?"

Reagan loosens Robinson-Patman reins

Nearly three years ago Congress effectively legalized backhaul arrangements after supermarket industry leaders argued convincingly that overzealous Federal Trade Commission antitrusters were mistakenly discouraging these allowances on grounds that they could facilitate illegal pricing discriminations.

It's questionable whether lobbyists for the nation's food chains could make such a convincing case for pro-backhaul legislation today. The reason: a growing reluctance on the part of Reagan Administration antitrusters to enforce the Federal restrictions against price discrimination.

Although top FTC officials have publicly denied any intention to wink at clear-cut violations of the Federal Robinson-Patman anti-price discrimination law, they have acknowledged a deliberate shift price brackets offered in an attempt to give customers picking up "the best price possible," according to Borden's Ted Helms. The program, says Helms, took years to set up. Earlier fears of mass confusion on the loading dock and general disruptions of shipping operations never came to pass, but a team still meets weekly to deal with difficulties.

During the highly successful program, pickup tonnage has increased to 53% since last year. The program went national Nov. 22.

Once it was feared larger retailers and wholesalers might be able to take better advantage of backhaul opportunities, giving them an unfair advantage.

The ICC points out that any edge is minimal. Most small retailers are serviced by a wholesaler to diminish the advantages that may have been gained by bigger counterparts.

Size isn't the only factor to weigh. Opportunity may also relate to location.

At Maine's Hannaford Brothers, company officials found they weren't doing as much backhauling as they would have liked. With stores in Maine, Vermont and New Hampshire, returning trucks just didn't pass by many manufacturing facilities. Hannaford decided to start its own trucking company.

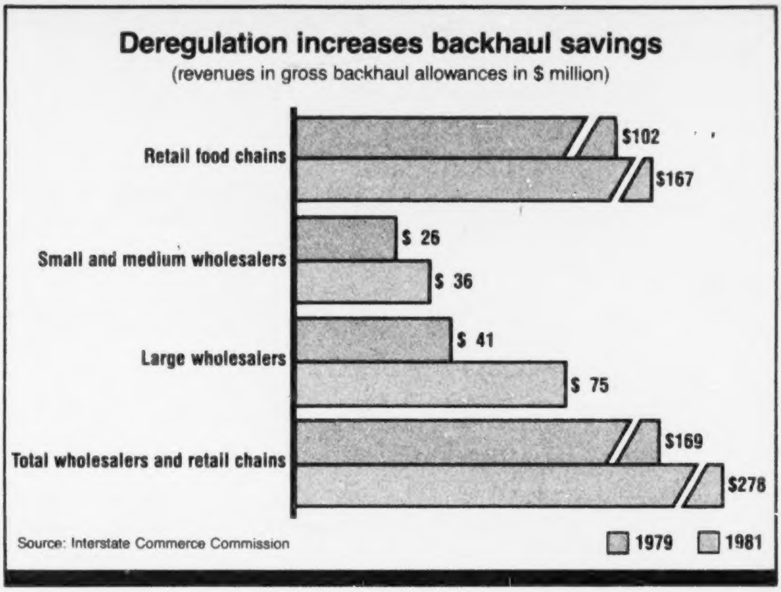
"We haul for companies in areas where we can haul back items for ourselves," explains Virgil Beane, vice president/warehouse and transportation.

The Hannaford Trucking Co. now boasts 50 tractor-trailers and 70 drivers. Beane is cautious about making predictions but says that backhauling "might double" in the next year.

Another concern when the act was passed was that savings should be passed on to consumers. The ICC admits it isn't easy to track backhaul savings. One part of the problem is that supermarket operators are notoriously reticent about parting with that kind of information. Another is in bookkeeping, with different companies crediting savings in different ways. According to Borden's Ted Helms, most firms credit such savings to transportation. Incidentally, detailed analysis concludes that savings are passed on to consumers.

Backhauling in 1983 will take a big jump. Says Associated's Lou Fox, "Backhauling's starting to move." Adds FMI's George Green, "It seems to be growing as people get used to it." And Malone & Hyde's E. L. Crowder notes, "We have made a substantial increase and anticipate getting into it further."

The bottom line is the bottom line. As NAWGA's Mark Baum puts it, "Those in backhauling find it translates into big dollars." □



Source: Interstate Commerce Commission

in enforcement policy away from technical R-P activities that pose no significant harm to consumers.

In practice, this shift has resulted in a sharp drop in FTC's interest in R-P cases.

During 1981 FTC initiated only eight formal investigations of suspected pricing discrimination, down from 13 in 1980 when the backhaul legislation was enacted. Last year the commission's interest in Robinson-Patman declined even further, with only one formal R-P investigation launched during the first three quarters of fiscal 1982.

Even more significantly, since Reagan Administration appointees were placed in control of FTC's Bureau of Competition, commission antitrusters have not issued a single complaint or consent order involving alleged discriminatory prices.

MANUFACTURER:
"Let's see . . . it's more than 800 miles from our plant to your warehouse. That means you're eligible for an allowance of $2 a hundredweight—that's 400 hundredweights. I can give you $800. Do we have a deal? Great!"

The tobacco industry gears up for possible consumer resistance to higher cigarette prices

Where there are smokes there are fires to put out

With trade experts foreseeing the first possible drop in cigarette demand in 13 years, the tobacco industry is fighting back with aggressive couponing, heightened trade programs and merchandising innovations. New brands will be used to open new market niches, and more money will flow toward promoting brands introduced successfully in 1982.

Underlying this activity is the expectation of a weak sales year, during which unit sales may tumble 3%-5%. The major reason: the greatest cigarette price increases ever—nearly 20% during the last four months of 1982—to make budding consumer price resistance even stiffer.

As a result, retailers who stockpiled before Jan. 1 to lessen excise tax liabilities may have a tough time selling off inventories. But because those retailers are enjoying historic high returns per sale thanks to steady gross margins, many can afford to begin merchandising cigarettes as loss leaders. Fearing that discounts might tarnish brand image—one of a cigarette's most precious assets—one tobacco executive says, "I hope it doesn't happen."

Coming off a soft 1982, when unit sales grew just 1.2%, partly from year-end stockpiling, maintaining demand has become an industry priority.

***A growing number** of high-volume supermarket operators are moving toward in-line cigarette merchandising in a bid to maximize category profitability.*

That's why price hikes were phased in over months rather than installed at once at year-end, says Richard Orcutt, senior vice president-sales at Lorillard. "Our rationale was to soften consumer price shock," he explains.

But another tobacco executive cites a different significant reason: protecting a highly prized distribution network. Graduated hikes reduced financial impact on cash-poor wholesale grocers and independent distributors, who move over half the nation's cigarettes. "Otherwise, we'd have seen bankruptcies among 10%-15% of them," he says.

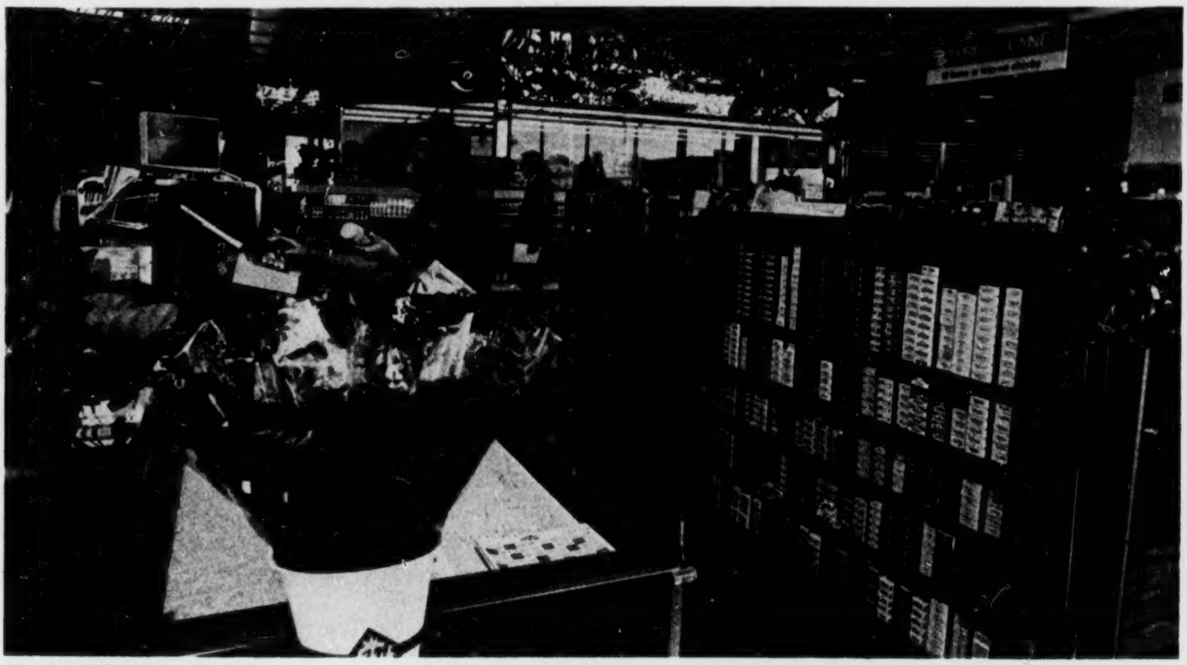
With most tobacco companies adopting the steep hikes, prices rose $5.70/1,000 cigarettes, including $4 attributable to the tax. As a result, single packs now retail for an average 85¢, with prices in many major cities close to $1.

To blunt the effects of the boosts, several tobacco firms followed R. J. Reynolds' lead by running massive coupon programs. And to ease the pinch on direct-buying customers, cigarette manufacturers developed an array of incentive trade programs.

But the consumer jury is still out, so doubts about 1983 remain. How price-sensitive smokers feel, and whether they'll react by adopting alternative tobacco products or stop smoking altogether, are questions on retailers' minds. Historically, price hikes have resulted in mere blips on tobacco's long-term growth curve. But the enormity of the latest boosts raises the spectre of strong smoker resistance, slow inventory liquidation and a lukewarm sales year.

First returns may already be in. The U.S. Department of Agriculture reports 1982 per capita consumption is down about 2% to 189 packs—the lowest level it's been since 1957. Further evidence of price resistance is offered by a Safeway spokesman, who observes a "tremendous pickup in sales of inexpensive cigars and pipes during the past six months." At the same time, smokeless tobacco products continue to capture more widespread acceptance.

Meanwhile, branded cigarette manufacturers face a strong backyard nemesis: generics, whose mar-



***Front-end displays reflect the upgraded image** of today's supermarkets and help spark sales of higher-margin single packs.*

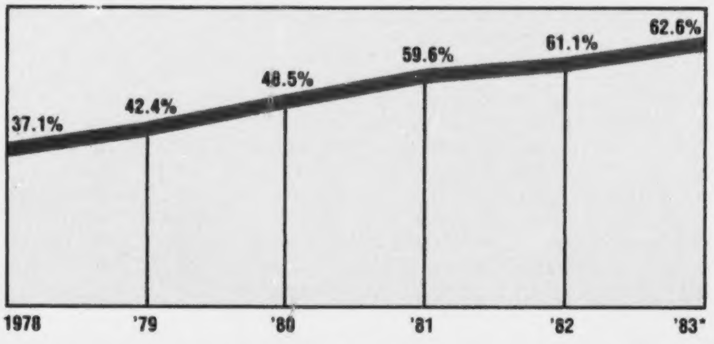
ket share doubled in 1982. That's about $140 million in retail sales.

Another sales twist last year was the apparent topping out of low-tar cigarette growth. This segment, which expanded explosively from 1977 to 1981, moved up only 1.5% to 61.1%, says John Maxwell, analyst at Lehman Brothers Kuhn Loeb. The inevitable happened, say cigarette manufacturers who continue to look forward to growth. "We have seen a strengthening of the full-flavored category in 1982, and expect marginal growth in the future," says Rich Medwar, national accounts manager at Philip Morris. "However, the low-tar category is now the dominant segment of the entire industry and is definitely here to stay."

The segment is multitiered: Ultra low tars contain 6mg or less of tar, very low tars 9mg or less, low tars 15mg or less, and full-flavoreds 16mg or more.

Orcutt of Lorillard, which musters roughly three-quarters of its sales from reduced tar smokes, predicts that sales activity, new brand introductions and line extensions will center on middle-ground smokes having 10mg-11mg tar. "Most people who want more satisfying taste will step up to this range," he says.

Low-tar sales stall follows explosive growth
(market share, 0-15mg tar cigarettes)



Source: John Maxwell, Lehman Brothers Kuhn Loeb

*Projection

As an example, Lorillard plans a February rollout of Satin, a 10mg brand with a tip that feels like satin. It will join the crowded women's segment, which grew 20% in 1982. The company is preparing its "most expensive launch ever," following six months of test-marketing in Denver and Milwaukee.

New brand slowdown: It appears that Satin will join slimming ranks of new brands introduced this year. Following 1982's slowdown in brand proliferation, most cigarette makers are waiting for pricing problems and the recession to blow away before committing huge amounts of money to new brands.

Some retailers consider this a welcome respite from the mounting pressures of carrying nearly 200 brand styles, with the 10 best-selling brands accounting for 74.4% of the nation's cigarette sales. They are, according to Maxwell, Philip Morris' Marlboro (19.3% market share), R. J. Reynolds' Winston (13.2%) and Salem (8.8%), Brown & Williamson's Kool (7.9%), PM's Benson & Hedges (4.9%), RJR's Camel (4.9%), PM's Merit (4.4%), American Brands' Pall Mall (4.3%), RJR's Vantage (3.9%) and Lorillard's Kent (2.8%).

As has been the case in recent years, PM is clawing closer to RJR's No. 1 perch. Now with 33% company market share, PM is tantalizingly near RJR's 33.4%. But PM denies it will fire the first salvo in an often-predicted marketing war. "It's business as usual for us," says PM's Medwar. "Developing a road map just to take over the top spot makes no sense."

Banking on new brand styles does. And one of 1982's most successful intros is PM's Benson & Hedges Deluxe Ultra Lights, which quickly snared an annualized 1% share after its national debut last summer. Trading off the brand name's integrity, the elegantly packaged cigarette conveys an upscale appeal. This may be just the first in a new market niche of premium smokes at popular prices.

Despite historic disinterest for flavored cigarettes in the United States, RJR introduced Bright in November. Company spokesman Dave Fishel points to consumer research that shows menthol smokers hanker for a "fresher, cleaner taste, and we're responding to that." RJR also added three new packings to its Vantage line.

But the fastest-growing menthol is Lorillard's Newport, up to 2.6% market share. The company plans heavier advertising for the brand.

Inspired by RJR's success with low-tar filtered Camel, American Brands is aiming to revitalize Lucky Strike. Its new low-tar, filtered version is not national yet, although company executives claim as much as 1% share in test and rollout markets.

In-line gains: While tobacco companies battle it out, supers are looking for the best ways to merchandise tobacco offerings. In-line displays seem to be gaining favor among retailers seeking greater merchandising flexibility, control over store inventories and special allowances. PM says at least 6,500 supermarkets now merchandise in-line, nearly 2½ times the 1979 roster. Certainly, the incentive to sell tobacco products in-line is there: American Brands offers a one-time allowance of $200 per store for converting, Brown & Williamson $150 and Philip Morris $100. Retailers who also use PM's Compact Impact program pick up an extra $12 a month per outlet. These allowances can make a significant impact on supers' profits, especially multi-store networks.

The allowance pot of gold will shine brighter this month, when Lorillard unveils its own in-line merchandising program. More surprisingly, industry experts say RJR is experimenting with an in-line fixture of its own. RJR's Fishel would neither confirm nor deny, stating: "We advocate endcaps because research shows they generate highest sales. We've succeeded with 33%-44% of endcap space for our brands, though that's the retailer's option."

Meanwhile, other tobacco companies contend that limited space on RJR-supplied endcap fixtures—which are used by 84% of the nation's supers—prevents retailers from stocking all the brands they need.

Regardless of the method used, retailers will buy best by concentrating on the 110 brands currently drawing 95% of sales. To avoid tying money up in inventory, growing numbers of supers are buying about 75 brands directly from manufacturers, then contracting with jobbers to fill in about 35 other brands that sell more slowly. This gives them the packings they need without the warehouse expense.

Endcap fixtures *are still widely used, despite contentions that they limit the number of facings required to stock all the brands retailers need.*

Consumers are similarly balking before buying cigarettes in volume, as single-pack sales nudge the 40% level in some markets. Last year's concern about prices had already heightened their sales share to 35% from 30% in 1980. "People figure if they buy packs, they won't smoke as quickly. But they do, and we gain the higher profits," says one Texas retailer. ☐

—Al Heller

No-name flames catch fire

A category that remains 85% brand-loyal should pose tough problems for a generic manufacturer trying to snare appreciable market share. But along came 1982's dismal economy—with high unemployment, increased cigarette taxes and a mass of unconfident consumers—and Liggett Group's no-name flames caught fire. Generic sales quickly doubled last year to an estimated 3% of supermarket cigarette sales, or nearly 1% of the market overall.

Name-brand manufacturers keep saying that smokers will come back after the recession ends. But for now, retailers are enjoying a unique profit opportunity with no-frills and private label. Unbranded cigarettes cost just two-thirds of what branded smokes cost—the greatest price gap ever. The reason: Liggett is eating part of the tax increase, at least for a while, in an effort to gain market share. While most of the industry raised cigarettes $5.70/1,000 since last summer, Liggett passed along only a $3.25/1,000 increase. Their no-names now appear to be a particular bargain.

"Of course," says Lorillard's Orcutt, "they'll have to adjust prices eventually. Will smokers stay with them?" Perhaps, if they've already learned to like them under names like Kroger Cost Cutter or Safeway Scotch Buy.

Produce: Supers feeling the squeeze

IGA blitzes the Southwest

Chain Store Age Supermarkets

THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

March 1983

7/27/83

C5150-1

What's really behind these bright lights?

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TWENTY-EIGHT DOLLARS A YEAR (U.S.A.)

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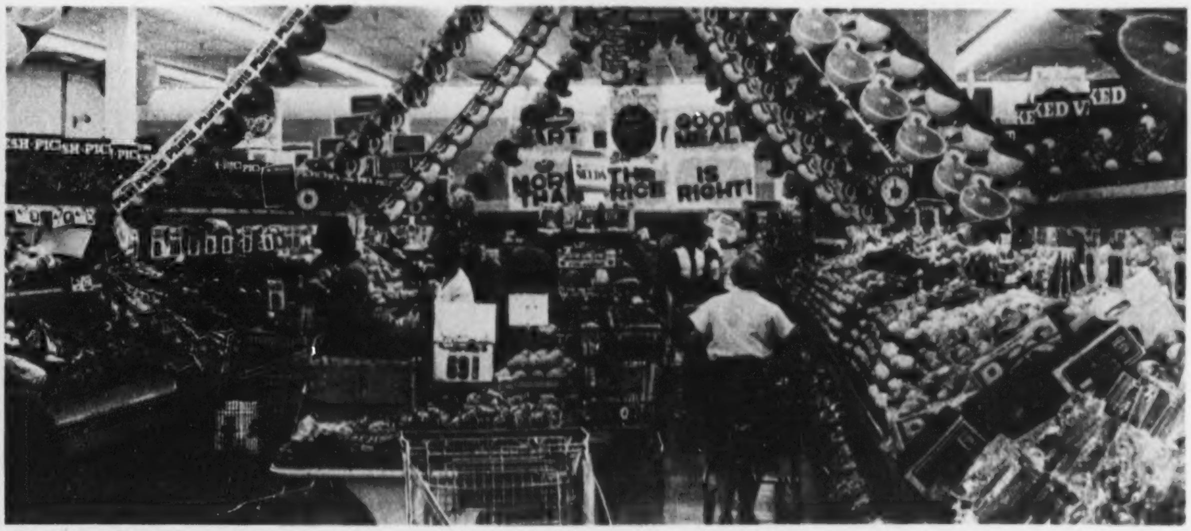
Supermarkets
March 1983



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IGA
IGA
NEW MEXICO

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Produce '83: the year of the squeeze

Supers counter competition from gourmet shops, warehouse stores, fresh fruit and vegetable stands

Produce
Produce
Produce
Produce

Supers reveling in produce's strength as a sales and shopping draw ought to watch their flanks. They're about to be squeezed from three sides: specialty gourmet shops, warehouse stores that use produce as their one dazzling element and fresh fruit and vegetable stands that snuggle next door to supers in densely populated urban areas.

Conventional and superstore retailers are already merchandising more strongly and stocking greater varieties year-round. It's what shoppers have demanded. The stakes are high: The $16 billion produce category represents 8% of supermarket sales, and has developed into a major store lure.

Indeed, *CSA Supermarkets* surveys show that 93% of shoppers in St. Louis, Seattle, Houston, Boston and Atlanta rate produce as an important consideration in deciding where to shop. Moreover, shoppers nationwide buy produce more often than any other in-store category. Nearly 77% of consumers shop the produce aisle, and 68.5% buy there. Not surprisingly, two-thirds of shoppers rate their favorite supers among the best places they can buy produce.

Since produce is bought impulsively 60%-70% of the time, a produce department's success rests on a retailer's ability to spark sales beyond most shoppers' two to four planned purchases. As a result, cooking schools, recipes, broader stocks of exotic fruits and vegetables, year-round displays of "summer" fruits, sampling of new lines, extra signage about nutrition and aggressive cross-merchandising are becoming more prevalent in the nation's supers.

They need to take this strong stance to overcome the triple threat they face. Specialty shops like Safeway's Green County Farmer's Market in Tulsa and Giant's Someplace

***In its new prototype,** New Jersey Foodarama ShopRite stocks a broad produce mix, including exotics, to counter the impact of specialty shops.*

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Special in suburban Washington, D.C., enliven produce by stocking broad mixes of exotics, allotting high space shares to perishable departments and conveying an upscale image throughout the store. That's a tough challenge for space-cramped conventionals to meet. "These upscale stores are forcing accelerated quality improvement in supers," says Jim Halloran, president of Produce Consulting and Sales Co., Brainard, Minn. "Yet their threat will be limited to certain markets because produce is more sensitive to local demographics than other departments. Conventionals can compete by stocking comparable quality and selling it for less—thus increasing their appeal to shoppers."

Warehouse appeal: Pinching from the low-price end are warehouse operators, who appeal to the most cost-conscious shoppers of all. Strong forces in many markets, these bare-bones stores use produce as their major perishable image maker. And why not? Other image enhancers, like fresh meat and seafood sections, can require costlier skilled labor to run well. Furthermore, produce is almost always set by the walk-in and "gets shoppers started off right," says Nick Sida, licensee of four Shop 'N Save Warehouse Foods stores in St. Louis. "If produce is a disaster, shoppers think the whole store is."

For his part, Sida is confident his quality compares with competing Schnucks, Kroger, Dierberg and National stores in his market—and that he's priced nearly 10% lower on many items. "Because we don't carry gourmet, shoppers give up some variety, but I still stock 95% of what's sold. Warehouse shoppers expect to give up something, and that's it," he says. Although warehouse stores in this city garner nearly 10% of the market, conventional operators withstand their pressure by avoiding produce price wars and concentrating instead on quality, variety and strong presentation. "That's what's important," says a Dierberg spokesman.

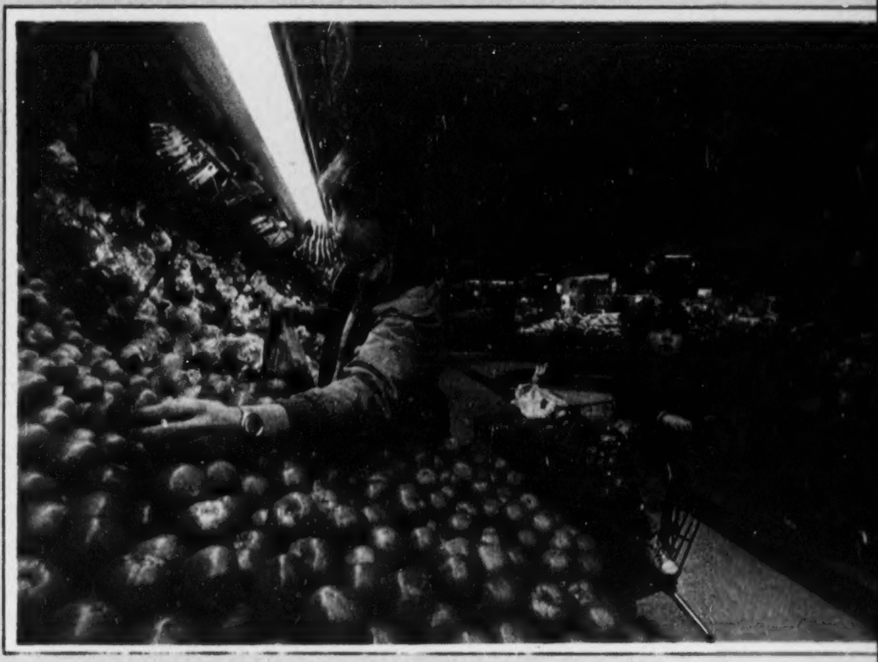
Supers that want to "beat warehouse operators on their own turf" can run truckload sales several times a year, suggests Chuck Hubbell, retail training manager at the United Fresh Fruit and Vegetable Association, Alexandria, Va. "Make your deals and move the product out at 20% gross margin," he says.

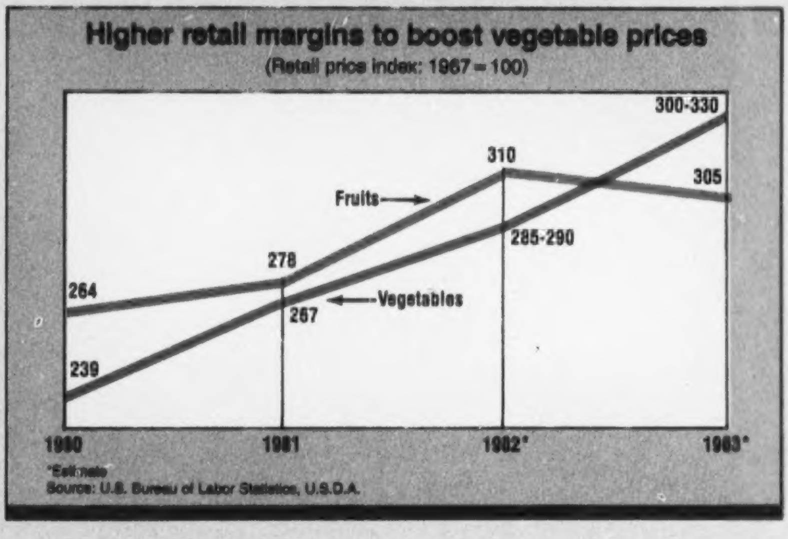
Fresh stand invasion: A more widespread threat is the proliferation of fresh fruit and vegetable stands near urban supermarkets. Like medflies on a vine, they sap from supers' drawing power. Their distinct advantage: By buying daily at the terminal after inspecting merchandise, they're assured of top quality—and if they clean the market of surplus at the end of the day, good prices as well. Supers, on the other hand, generally forward-buy several days in advance or order daily from wholesalers who buy on consignment 10-14 days ahead of time. There's less assurance of quality and less buying flexibility.

"When a strong produce stand opens near one of our stores, we must meet them head-to-head," says Ray Smith, produce supervisor at Sloan's Supermarkets, New York City. "We bring in a more experienced manager, go totally bulk, offer exotics and improve product handling. I might even start buying direct at the terminal. If it still cuts heavily into our volume, we make operations leaner by switching employees elsewhere."

Supers have an edge over these stands—notably, knowledgeable staff able to teach shoppers about preparing the increasing varieties being offered year-round. "Many shoppers have no concept of how to use the new lines—especially young working couples with little time who just want to try something new. In contrast, many produce stands are run by people from abroad who are limited in experience or language proficiency," says Smith.

Specialties the star: Regardless of store location, says Halloran, supers should stock exotic and specialty lines. "Neighborhoods change, the mix of customers evolves. Supers





Higher retail margins to boost vegetable prices

(Retail price index: 1967 = 100)

*Estimate

Source: U.S. Bureau of Labor Statistics, U.S.D.A.

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FARM FRESH
SUPER VALUE CENTER
CORN 5/79¢

Conveying freshness has become a priority in produce departments; this Farm Fresh relies on an overflow of corn to draw shoppers.

should seize opportunities to develop all markets for variety items," he adds.

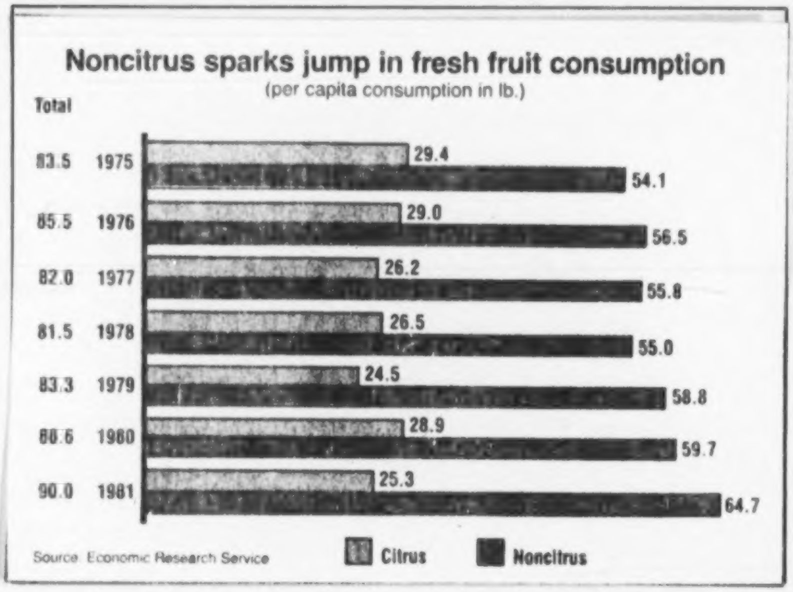
Coming off estimated 20% sales growth the last two years, alfalfa sprouts, pomegranates, persimmons, bok choy, tofu and other specialties have benefited from strong promotions to entice consumption. Consumers responding to newspaper recipes and in-store demonstrations seek jazzy tastes to perk up their more frequent home-cooked meals during the recession. Increased specialty imports and greater domestic growth of exotics have improved availability and softened prices.

Retailers generally take 50% margins on specialties, slightly more than they take on imports of "out of season" fruits. These compare with 31%-35% department margins overall. The proliferation of imports has cut the retail price premium of "out of season" fruits from 50% above in season levels to its current 25% edge.

An effort to control product prices and quality while extending seasonality has sparked a trend among northeastern and north central retailers to buy from local greenhouses that grow crops hydroponically. Easy availability, ready supply, controlled quality and the cutback of transportation and handling costs are inducements.

Despite the willingness of chains to grow products from catfish to cattle, most will probably never manage their own farms or contract specific acreage with growers. "Too many long-term problems override any advantages," says the produce director of a major Midwestern chain. "Growing produce leaves you subject to the whims of nature. What do you do with a weather-ruined crop—sell it or dump it? Retailers are better off dealing with the broad range of grower-shippers."

Brand-name mania: Long perceived as pure commodities, produce selections are fast becoming brand-name territory. Castle & Cooke and Campbell's are two manufacturers that are aggressively naming fruits and vegetables, as numerous grower groups have done before them. "The value to retailers hinges on how strongly the grower-shipper advertises and builds name recognition," says Halloran. Another produce expert notes candidly, "It's great news that suppliers are making this commitment. Years back, they felt retailers couldn't maintain a quality image, so they hesitated to put their names on products or promote them. Apparently, retailers have won them over by improving their own performance." ☐


Noncitrus sparks jump in fresh fruit consumption

(per capita consumption in lb.)

Source: Economic Research Service

Chain Store Age Supermarkets

GM/H&BA Extra

The newsletter for nonfoods buyers

A new direction in an old market

Scratch another one off the list of nonfoods skeptics.

With much fanfare and an equal display of confidence, New York-based Waldbaum's broke with tradition recently with the opening of its first superstore. They're calling it a mega-mart, and while it may not be nearly as unorthodox as some of the formats that are popping up these days, it's a clear indication of a bold new direction for this former nonfoods holdout.

The heavily populated Long Island market, where Waldbaum's operates a majority of its 100-plus stores, has never been testing ground for general merchandise categories. Indeed, with the exception of Pathmark, GM has been virtually nonexistent among all the food retailing outlets. Up until recently, anyway.

The first sign of change surfaced about 18 months ago when Mel Weitz, owner-operater of 16 high-volume Foodtown supermarkets, surprised his competitors—not to mention his customers—by incorporating a greeting card department and expanded lines of auto supplies, housewares and hardware in his stores.

Then late last year, the conservative 55-unit King Kullen chain veered dramatically from its historical food-oriented philosophy with a 35,000-sq.-ft. prototype complete with greeting cards, books and magazines and a floral department.

Waldbaum's entry into the one-stop shopping arena rounds out the Long Island foursome. Its venture, like Foodtown's and King Kullen's, pales in comparison to Pathmark; it's limited primarily to a stationery department, greeting cards and books. But while these established operators aren't exactly rewriting the book in their region, it's clear that a gradual evolution is in the making. When, and if, these categories begin justifying their existence, we'll begin to see a deeper commitment.

Short takes

What happens when paperbacks are merchandised on an endcap in addition to the periodicals section?

An Alpha Beta in La Habra, Calif., is finding out. The super is in the fifth month of a six-month test using an endcap fixture developed by ICD. The endcap holds a variety of paperbacks, including best sellers from all publishers, and has dividers that can be removed to accommodate trade-size books. According to Mitch Halka, director of retail merchandising at ICD, the fixture has been "quite successful" in Chicago and Houston.

Sav-A-Stop, a leading service merchandiser, has added higher-quality toys like Fisher-Price, Milton Bradley and Parker Bros. But that hasn't yet translated into big bucks for supers. Although a source with Sav-A-Stop says Fort Lauderdale, Fla.-based Pantry Pride is one of the more successful chains with the higher-priced toys, he describes its movement as no better than "steady." Obviously price is still the major consideration on supermarket shoppers' minds when it comes to toys; the best-moving items are those on the low end of the high end—puzzles.

What's new in H&BA?

If new products create excitement within a category, then H&BA should be one of the most exciting categories around. According to the Nielsen Early Intelligence System (NEIS), 113 new H&BA brands were introduced into supermarkets during the first eight months of 1982, while 88 debuted during the same period of 1981—a 28.4% increase. All categories combined, supermarkets saw 730 new brands introduced in the first eight months of 1982 as compared to the 701 new brands in 1981, showing a 4.1% rise.

New H&BA brands on the rise

Total number of brands introducing new items	90	126	132	138
Total number of new items	150	234	198	258
	1978	1979	1980	1981

Source: NEIS: A. C. Nielsen

NEIS also shows a 53.3% growth in the number of brands introduced in the year 1981 over those introduced in 1978. The total number of new items rocketed 72% in 1981 over the items debuted in 1978.

Another source, Dancer Fitzgerald Sample's *New Product News*, reports 369 supermarket/drug store H&BA product introductions in 1982 as compared to 338 in 1981; that's a 9.2% rise over '81 and a 23.4% increase over 1980's figures.

Self-care market: up 63% by 1987

Looking into the self-care market? It could be a smart move, according to a Find/SVP study. The New York City-based research firm estimates that annual retail sales of self-care products will increase 63% from $242.5 million in 1982 to $395 million (1982 dollars) by 1987.

One of the fastest-growing segments of the market, blood pressure monitors, is expected to reap sales of $208 million in 1987, a 93% increase over 1982's $108 million. Sales for test kits used by diabetics to monitor glucose in urine are forecast to grow from $50 million in 1982 to $72 million in 1987. Predictions for in-home pregnancy tests see sales increasing from $40 million in 1982 to $56 million in 1987. (All figures are in 1982 dollars.)

C-store sales to hit $10 billion in '83

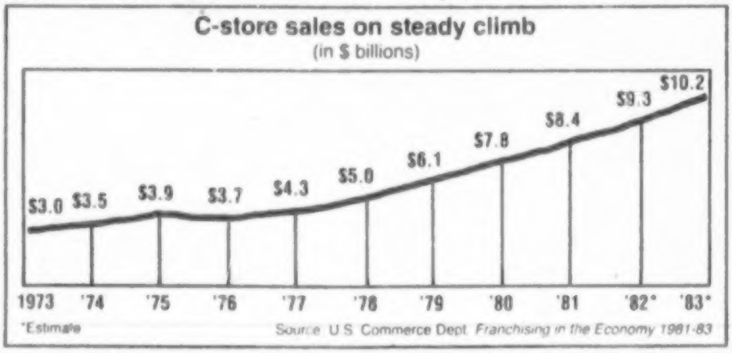
7-Eleven and other franchised convenience food store chains increased their total United States store count by 732 units last year, and are expecting a net gain of more than 1,000 new company and franchisee-owned stores during 1983, the latest Commerce Department forecast predicts.

Total sales for the nation's franchised convenience food stores figure to rise nearly 10% to a record $10.2 billion this year, more than triple the level recorded during 1973, according to the department's annual *Franchising in the Economy* study.

Although the majority (58%) of the more than 16,000 United States convenience food chain stores are still company-owned, the bulk of the new units planned for 1983 will be operated by licensed franchisees.

C-store sales on steady climb

(in $ billions)



*Estimate

Source: U.S. Commerce Dept. *Franchising in the Economy 1981-83*

Significantly, franchisee-owned convenience stores averaged measurably higher dollar sales per unit than company-owned stores: $598,000 to $550,000.

"Despite intensified competition from supermarkets offering extended hours and Sunday shopping," sales growth within the convenience store segment is expected to continue strong, Commerce Department experts predicted.

"Growing numbers of convenience stores are realizing extra sales by installing on their premises gasoline pumps," while others are beginning to offer "a wide variety of takeout foods" in an effort to capture sales from fast-food restaurants, the study concluded.

Resale price-fixing policy reaches Supreme Court

Reagan Administration antitrust enforcers have followed through on their threat to petition the U.S. Supreme Court to relax longstanding Federal rules against Fair Trade-style resale price maintenance activities.

In a "friend of the court" brief filed on behalf of a chemical manufacturer, Justice Department attorneys argued that resale price fixing should no longer be treated as an automatic or *per se* violation of the Federal antitrust laws.

Instead, manufacturers should be free to dictate prices to retailers unless such RPM activities can be shown to create anticompetitive effects on a case-by-case basis, they argued.

If the Supreme Court agrees to review that case, Congressional critics of Administration antitrust policies may intervene on behalf of price-cutting retailers.

At presstime a bipartisan Congressional coalition led by GOP Sens. Arlen Specter (Pennsylvania) and Warren Rudman (New Hampshire) and Democrats Howard Metzenbaum (Ohio) and Edward Kennedy (Massachusetts) had already begun to rally considerable Capitol Hill support for what could develop into a Constitutional confrontation on the resale price maintenance issue involving all three Federal branches.

Assistant Attorney General William Baxter, the Administration's chief advocate for a softer resale price maintenance enforcement policy, is reviewing the Justice Department's options as well.

If the Supreme Court refuses to bend the rules on RPM, he plans to uncork legislation that would require Federal judges to allow some forms of resale price fixing by manufacturers.

Meanwhile at the Federal Trade Commission, Chairman James Miller has announced that regardless of how the Supreme Court rules in the pending RPM case, he will veto FTC enforcement against resale price fixing manufacturers if he feels their activities are justified.

FTC, which shares Federal antitrust enforcement jurisdiction with the Justice Department, "will carefully screen enforcement proposals to eliminate cases which contest RPM in circumstances . . . where the practice promises to promote competition," Miller vowed.

FTC drops charges against Kroger "Price Patrol" ads

Kroger's marathon dispute with the Federal Trade Commission regarding the chain's controversial "Price Patrol" ad campaign finally appears to be settled. And Kroger is the clear-cut winner.

Under the terms of a new agreement reached between FTC and the company, the Commission dismissed a series of charges against Kroger's comparative price ads dating back to 1977. FTC also dropped previous requirements that the chain conduct any future store price surveys in a "competent and reliable manner" and that Kroger refrain from drawing unfair or biased conclusions from those surveys.

Under the terms of the settlement, two restrictions will remain in force until the end of next year: Chain employees responsible for setting food prices may not be told in advance which products will be surveyed; and Kroger must disclose whether key product categories such as meats have been systematically excluded from the Price Patrol surveys.

C5150-1 4/13/83

Can K. C. chains survive the warehouse sting?

Secret to H&BA: convey "low price" image

Chain Store Age
Supermarkets
THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES
April 1983

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Chain Store Age
Supermarkets
April 1983

Nearly as many shoppers prefer supers as drug stores for their H&BA purchases .... *p. 60*.

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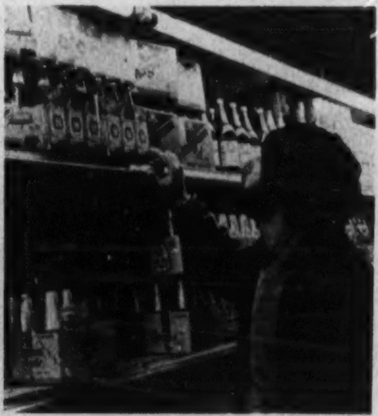

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Scanner profile: Who buys magazines in supermarkets?

There was a time when magazine sections in supers meant the front end: some 20-24 titles cherrypicked to cover the fastest-turning items, then displayed at the checkout for maximum impulse sales.

Today, however, those minuscule sections have expanded to include in-line displays running as much as 28 ft., with selection in many cases exceeding 500 sku's.

With the help of scanners, many retailers now know they can easily move 80-90 units a week for each 1,000 shoppers. But unless a retailer has access to panel data, he can't know anything about the customers who are buying those magazines or about how much they may buy in any given year.

Recently, however, TRIM Inc., the Los Angeles-based firm that evaluates scanner data, and Pittsburgh Market Science Associates, a firm that specializes in processing and analyzing scanner panel data, studied the purchasing behavior of 2,000 households in a West Coast chain and 2,200 households in a Midwest chain.

By cross-checking the panel data with scanner movement in the magazine section, TRIM and MSA found that the high-volume West Coast chain, with 300 sku's, was turning over 90 units for each 1,000 shoppers who walked in its stores.

The velocity in the section was nearly equal to the movement generated by the entire packaged cookie department, and was almost as great as sales of single-pack cigarettes (115 units per each 1,000 shoppers).

In the West Coast chain, 1,003 households—some 57% of the entire scanner panel—bought magazines at least once during 1982. The Midwest chain did almost as well, with 1,236 households—56% of the panel—buying magazines at least once in 1982.

While more than half the panel members in both markets bought only five magazines or less during the year, roughly 30% bought 10 issues or more.

As might be expected, women's interest in magazines, and especially women's interest in magazines distributed *only* in supers, captured the highest percentage of sales.

Women's interest titles grab almost half of all magazine sales in supers.

On the West Coast, 41% of all shoppers who bought magazines picked up a women's publication like *Family Circle* or *Redbook*. In the Midwest, 48% of all magazine-buying shoppers picked a women's publication.

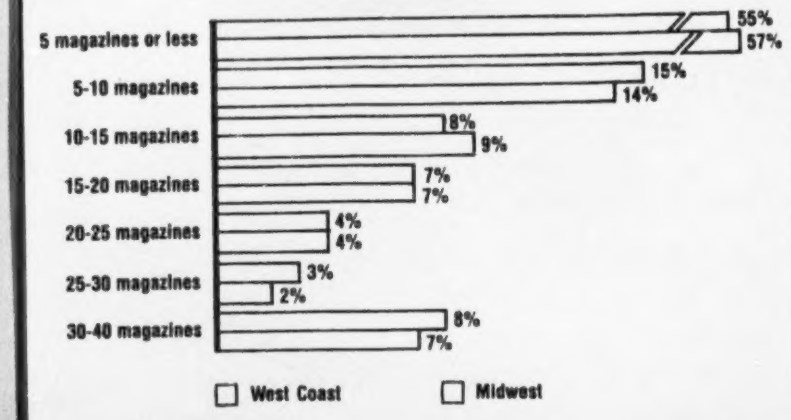
Only 1% of all magazine buyers in both markets picked up news magazines like *Time* or *Newsweek*, while just 11% on the West Coast and only 8% in the Midwest picked up human interest magazines like *People*.

In terms of high purchase frequencies, the big winner was *TV Guide*, followed closely by *Woman's Day* and *Family Circle*. *TV Guide* was picked up by 46% of the magazine-buying panel on the West Coast and by 43% in the Midwest.

No other women's magazines reached as high a penetration. Most of the publications—*Better Homes & Gardens, McCall's, Redbook,*

Four out of 10 shoppers buy five or more magazines a year

(% of shoppers)



Source: TRIM, Market Science Assoc.

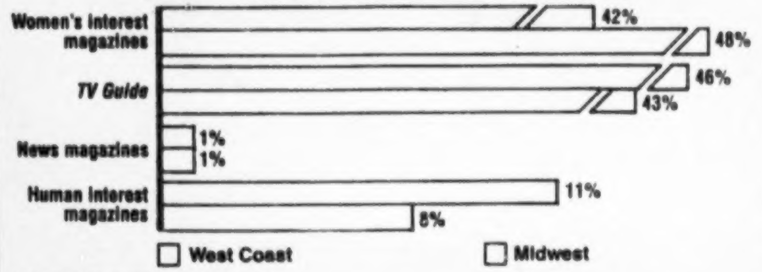
Consumers most likely to buy magazines

	West Coast			Midwest		
	All panelists	Panelists who bought magazines	Index	All panelists	Panelists who bought magazines	Index
Women employed outside the home	27%	33%	120	23%	27%	117
Women employed at home	50	45	90	58	54	93
$20,000-$30,000 average income	22	22	100	27	27	100
$30,000 and up average income	41	46	111	43	48	112
Some high school	8	7	87	17	14	82
Graduated from high school	27	27	100	35	35	100
Some college	35	38	108	24	27	112
Graduated from college	24	24	100	21	22	105
1-2 member household	55	47	86	41	36	88
3-4 member household	35	41	115	43	47	109

Source: TRIM, Market Science Assoc.

Best sellers: TV specialty and women's magazines

(% of all magazines purchased in a supermarket in 1982)



Source: TRIM, Market Science Assoc.

etc.—were bought by 1% or less of all the shoppers who purchased women's magazines. *Good Housekeeping* had the third-highest share, with a 3% penetration in the Midwest.

From the scanner printouts, it was obvious that the buyers for both chains were weeding out the category, dropping many publications with low shares of sales. But the fact that some slow movers were being retained probably reflects a desire to maintain variety and selection in the departments.

A review of the panel data reveals that this type of breadth may be justified in the magazine category. With one exception, there was very little cross-over buying among magazine shoppers. People who bought *Cosmopolitan* were not very likely to buy *Redbook* as well. Someone who bought *People* did not necessarily reach for *Family Circle* or *Time*.

However, shoppers who picked up *Family Circle* were also exceptionally likely to buy *Woman's Day* and vice versa. In the Midwest chain, 73% of all the shoppers who bought *Family Circle* also bought *Woman's Day*, and 83% of the shoppers who bought *Woman's Day* also bought *Family Circle*.

Conversely, only 3% of all *Family Circle* buyers also reached out for *Cosmo*. And only 37% of all *Cosmo* buyers also bought *Family Circle*.

As might be expected, there were also dramatic correlations between magazine shoppers and demographic considerations such as household size, education and family income.

In general, people with larger households, some college and incomes in excess of $30,000 a year bought magazines more frequently than shoppers in any other group.

TRIM broke out two shopping panels along the lines of household size, income, education and employment; the same was done for magazine buyers, and the two sets of numbers were compared.

The base index of 100 equaled an average or acceptable performance. For example, 27% of all panel members on the West Coast graduated from high school, while 27% of all panel members who bought magazines graduated from high school, so the index or the correlation was an appropriate 100. However, people who had only some high school and women who were employed only inside the home had low indexes of 87 and 90 respectively, indicating that they are not good prospects for magazine purchases.

Women employed outside the home had an index of 120, indicating that they were a very good target for magazine sales. The same was true of people earning $30,000 and more; the index in this category registered 111.

On both the West Coast and in the Midwest, three- and four-member households were much more likely to buy magazines than one- and two-member household. On the West Coast, the index for three- and four-member households was 115, while the index for one- and two-member households was a poor 86.

In addition to helping retailers decide in what markets and neighborhoods they should create magazine departments, this kind of research also helps determine which publications reach the broadest possible market.

TRIM and MSA discovered, for example, that *People* buyers are frequently members of three- and four-member households. The index ranking for that particular publication was a high 142.

It's clear that as scanner panel data access grows to have wider applications in retailing, it can be quite useful in answering the quintessential marketing question: Who is buying what?

Supers win one H&BA heart in every three

Shoppers still choose drug stores most often for health and beauty items, but only by a whisker over supers

If you just got a headache, it's a safe bet you're a supermarket operator wondering how to boost sales of high-margin H&BA.

Take comfort in one fact: Nearly as many H&BA customers prefer to buy at supers as at drug stores. According to an exclusive *CSA Supermarkets* study of H&BA consumer buying habits, conducted by Leo J. Shapiro and Associates, Chicago, 35% favor supers, 36% drug outlets and only 29% discount stores.

But how can you capture even more H&BA customers?

The answers could be under your nose. Although convenience is supers' major strength, most food shoppers aren't taking advantage of the one-stop-shopping opportunity. Convenience attracts 41.7% of supermarket H&BA shoppers; prices, 37.8%; and product variety, 32.1%. That, however, doesn't mean supers should dash out and make wholesale changes in their pricing or product mix strategy. Play your strong points to the fullest —whether they're vast selection, competitive pricing or in-store service. Changing your image on H&BA alone will probably not be effective.

Major findings

- Nearly as many shoppers prefer supers as drug stores for their H&BA purchases, with 35% favoring supers and 36% drug stores.
- Slightly more than 30% of shoppers believe that personal care and health product prices have risen faster than food prices.
- A convincing 38.3% of shoppers consider supers to have the broadest H&BA selection, topping drug stores' 36.6% and discount stores' 16.7%.
- An impressive three-quarters of consumers said if they hadn't made their latest H&BA purchases at one super, they'd have done so at another. Only 30.5% who bought H&BA at drug stores would have chosen another drug store as an alternative. Even fewer shoppers, 27.3%, would go from one discount store to another for H&BA.

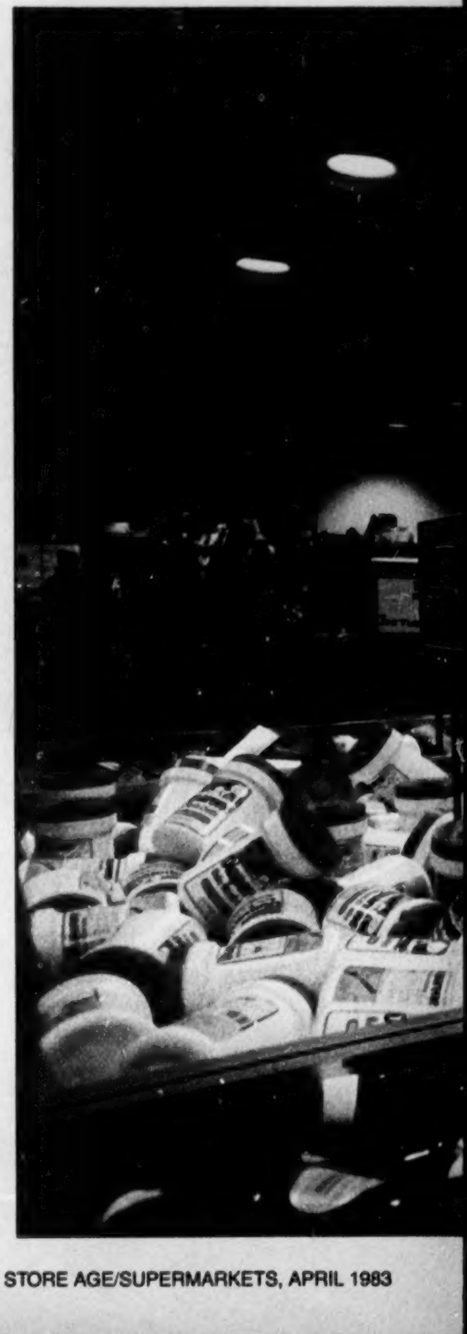
A convincing 38.3% of shoppers surveyed already consider most supermarkets to have all or most H&BA product lines. That beats drug stores, the historic bastion for these items, which stand a close second at 36.6%. Discount stores lag far behind at 16.7%.

It's clear that supermarkets are making inroads on the basis of convenience and vast selection. Their nagging problem is an ongoing perception by some shoppers that they're paying a premium for convenience when buying H&BA at a supermarket. In fact, average gross margins on H&BA in supermarkets show shoppers to be somewhat off base if they feel they're paying too much. Supers snare a 28.5% overall margin on personal care and health product lines; drug stores, 25%-40%, and discount stores, 22% (not including higher profit cosmetics for the latter).

Another perception by shoppers may be hurting H&BA sales at supermarkets more than at other types of retail outlets. More than three in 10 perceive H&BA prices to be rising faster than food prices—and that hurts when all are under the same roof.

To be blunt, supers rate very low in delivering price satisfaction, with drug stores doing almost as poorly. Shoppers are most pleased with prices at discount stores. Supers achieve top rankings in only three categories out of 12—bandages, hand and body lotion and pain relievers.

Despite discount stores' overwhelming price advantage, only half



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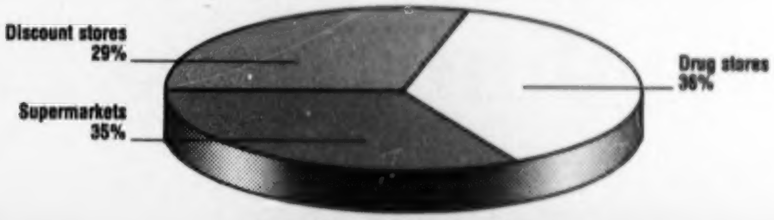
Supers edge up on drug stores
(% of shoppers citing preference for a particular retail outlet)



Source: *CSA*/Leo J. Shapiro and Associates Inc.

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of H&BA shoppers in discount stores frequent those units because of their H&BA prices; about one-third buy there because of selection. Discount stores and supers each edge out drug stores on virtually all counts—convenience, price and variety.

Supers that market H&BA aggressively will generally enhance an already strong H&BA shopping base. An impressive three-quarters of those surveyed said that if they hadn't made their latest H&BA purchase at one super, they'd have done so at another rather than at a different type of retail outlet. That's a considerably stronger core than drug stores' 30.5% or discount stores' 27.3%.

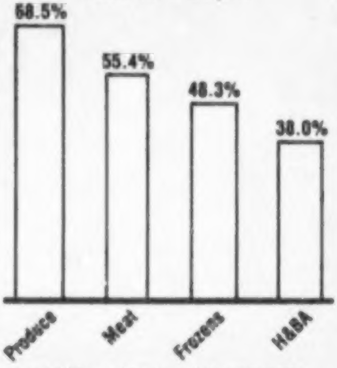
Since supers have the convenience lure wrapped up, they have to emphasize price, variety or service to increase H&BA sales and profits. Shopper perceptions reflect supers' use of H&BA as a performance buffer rather than a store draw. Only 11% of shoppers surveyed spontaneously mentioned H&BA or cosmetics as their primary reason for visiting supers. More than four times as many shoppers—48%—said that's why they visit drug stores, and 32% said the same about discount outlets.

Why shoppers buy where they do

	Supermarkets	Drug stores	Discount stores
Lower prices	37.8%	31.4%	49.5%
Convenient location	41.7	37.6	24.5
Better variety	32.1	30.0	33.1
Friendly personnel	3.0	4.6	0.9
Better quality	4.1	0.5	1.3
Services	2.5	1.7	—
Better hours	2.1	0.9	1.2
Faster checkout	0.9	2.0	—

Figures do not add up to 100% due to multiple responses.
Source: *CSA*/Leo J. Shapiro and Associates Inc.

What shoppers bought during most recent visit to a super



Source: *CSA*/Leo J. Shapiro and Associates Inc.

Fortunately, for supers, almost four in 10 shoppers—37.6%—bought an H&BA or cosmetics item during their last visit to a food store. That's a byproduct of convenience—and variety. Only 16.2% said they've never purchased a health or personal care product at a supermarket.

Yet price remains supers' Achilles' heel. Local market conditions will dictate whether aggressive promotions, lower prices, wider selection or more service are strategies individual retailers ought to—or even want to—pursue. The survey's cross-section of 12 H&BA categories shows that shoppers say they'd most likely buy disposable diapers (50.5%), toothpaste (49.8%), mouthwash (44.8%) and deodorant (41.2%) in supermarkets. Vitamins (21.1%) and cold/cough medicines (21.9%) ranked lowest.

Impressively, even more shoppers did buy disposable diapers (60%) and toothpaste (51%) at their local food stores. Industry sales figures reflect this positive trend. Baby needs (including disposable diapers) and

Should supers make over cosmetics strategy?

Supers aiming for higher cosmetics sales face a dilemma: Do they continue concentrating on low-end goods or add upscale inventory that would sell best only with a trained cosmetician on hand? Innovators like Alpha Beta and Safeway have done well with the latter format, but for many supers, allotting such space and labor expense might be considered foolhardy.

Although 75.8% of shoppers surveyed are aware of cosmetic sections in their favorite supermarkets, a mere 9.1% of the departments are full-service areas. The rest are displays, often of limited variety. As a result, slightly less than one in 5 women—19%—names a super as her favored place to buy any of five cosmetic categories—lipstick, hair coloring, mascara, eye makeup and nail polish. This is in stark contrast with 47% of women who prefer to buy most of these products in drug stores.

But there's another enemy on the horizon—home demonstration companies like Avon and Mary Kay. They pull a majority of the 34% of women who would not generally buy cosmetics in either a food or drug outlet. Their strength underscores the need for superstores to upgrade quality and provide knowledgeable sales help. With these image-oriented lines, heavy price promotions might be counterproductive.

Supers have a few cosmetics fans already—notably 25.8% of professional women. Moreover, nearly six out of 10 women who prefer to buy cosmetics in supers are under 40.

The cosmetics fray is even hotter

(% of consumers shopping different outlets)

	Supers	Drug stores	Discount stores	Dept. stores	Home demo
Lipstick	4.6%	36.0%	3.9%	21.5%	25.6%
Hair coloring	10.8	43.8	24.9	6.5	2.1
Mascara	10.8	38.7	12.7	13.5	18.1
Eye makeup	5.1	31.0	8.0	19.9	26.0
Nail polish	6.9	34.7	14.6	9.8	27.1

Figures do not add up to 100% due to multiple responses.
Source: *CSA*/Leo J. Shapiro and Associates Inc.

***Manufacturer racks** allow supers to carry a broad selection of low-end cosmetics*

oral hygiene (including toothpaste) accounted for nearly 30% of supermarkets' H&BA sales, or nearly $3 billion, in 1981. Generally, the survey shows a close correlation between where shoppers say they would buy and the actual purchase location.

Shoppers' low state of readiness to buy vitamins in supermarkets is intriguing because intensified marketing efforts by chains nationwide have been quite successful. Besides vitamins' 50%-plus penetration throughout supers across the country, natural varieties are the linchpin of an estimated 2,000 in-store nutrition centers—a number that's growing rapidly. Vitamin sales generally find the fast track as soon as they're presented strongly in wide variety at competitive prices. That usually means in-store signage, free educational brochures, inclusion in store ads and price or premium promos.

Notably, supermarket shoppers buy higher-margin private label vitamins 20% of the time. That nearly doubles the only other substantial store brand showing—disposable diapers at 11.2%. For all other H&BA segments, it's overwhelmingly a brand-name game. Image advertising of many product lines—most notably hair care, toothpaste and cosmetics—contributes a great deal to this.

Nevertheless, when people need vitamins or cough/cold medicines, drug stores are their favorite haunts. Well over half the shoppers make the mental link between drug stores and health care items. A bright spot for vitamin sales in supers is their greater than 2 to 1 outflanking of health food stores. Just 9.3% of shoppers favor buying at health food specialty retailers because, more often than not, their storefronts scream high prices. ☐

Supers strong in diapers, oral hygiene lines

(% of shoppers buying)

	Supermarkets	Drug stores	Discount stores
Disposable diapers	60.0	13.3	17.6
Toothpaste	51.0	33.4	12.2
Mouthwash	44.0	33.8	16.2
Deodorant	39.5	35.8	15.2
Disposable razors	37.8	34.1	20.4
Band-aids	37.5	43.3	14.1
Pain relievers	37.5	46.6	10.7
Shampoo	36.1	32.3	15.4
Hair spray	30.6	34.3	18.9
Hand and body lotion	24.5	40.1	13.1
Vitamins	20.6	51.8	8.0
Cold medicine	19.4	69.2	7.7

Source: *CSA*/Leo J. Shapiro and Associates Inc.

About this study

This month Chain Store Age Supermarkets *continues its exclusive six-part study of consumer buying habits. This installment, one of the more exhaustive and comprehensive studies about the perceptions held by health and beauty aids shoppers, is based on 500 telephone interviews conducted nationally by Leo J. Shapiro and Associates Inc., Chicago, with supplemental analysis from* CSA *editors.*

Future reports will center on dairy, general merchandise, produce and meat.

How safe is safety packaging?

Product tampering during the past year has turned once unquestioning shoppers into hawks amid the gondolas. Just under three quarters of shoppers say they inspect packages of health and personal care products. Nearly half of those surveyed scrutinize virtually every H&BA item they buy.

Nearly six out of 10 supermarket shoppers believe H&BA packages are now safer. An overwhelming majority—88.4%—believe that Federal regulations mandating tamperproof package sales will better protect them.

What about Tylenol, the most tragic case of package tampering? Its comeback is assured, according to a separate study commissioned by Richard R. Stover, vice president, Prudential-Bache Securities, and conducted by Leo J. Shapiro and Associates. An impressive 73% of consumers say they may use Tylenol this year. Only 8% of the sample are former Tylenol users who say they won't try the product again; 18% had never tried the product and had no plans to do so in the future.

Indeed, extensive publicity about the product's relaunch in new packaging may have enabled Johnson & Johnson to expand its user base. Of the vast majority who plan to use Tylenol in 1983, 19% had never used it before.

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5/9/83

Chain Store Age

May 1983

Supermarkets

THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

Chains primed for new store construction

Scanning's 2nd generation: modifying the merchandise mix

The power of perishables: five profitable strategies

Waldbaum's megamart embraces one-stop shopping

Skaggs blocks Safeway's bid to dominate Dallas

FMI weds training to new technology

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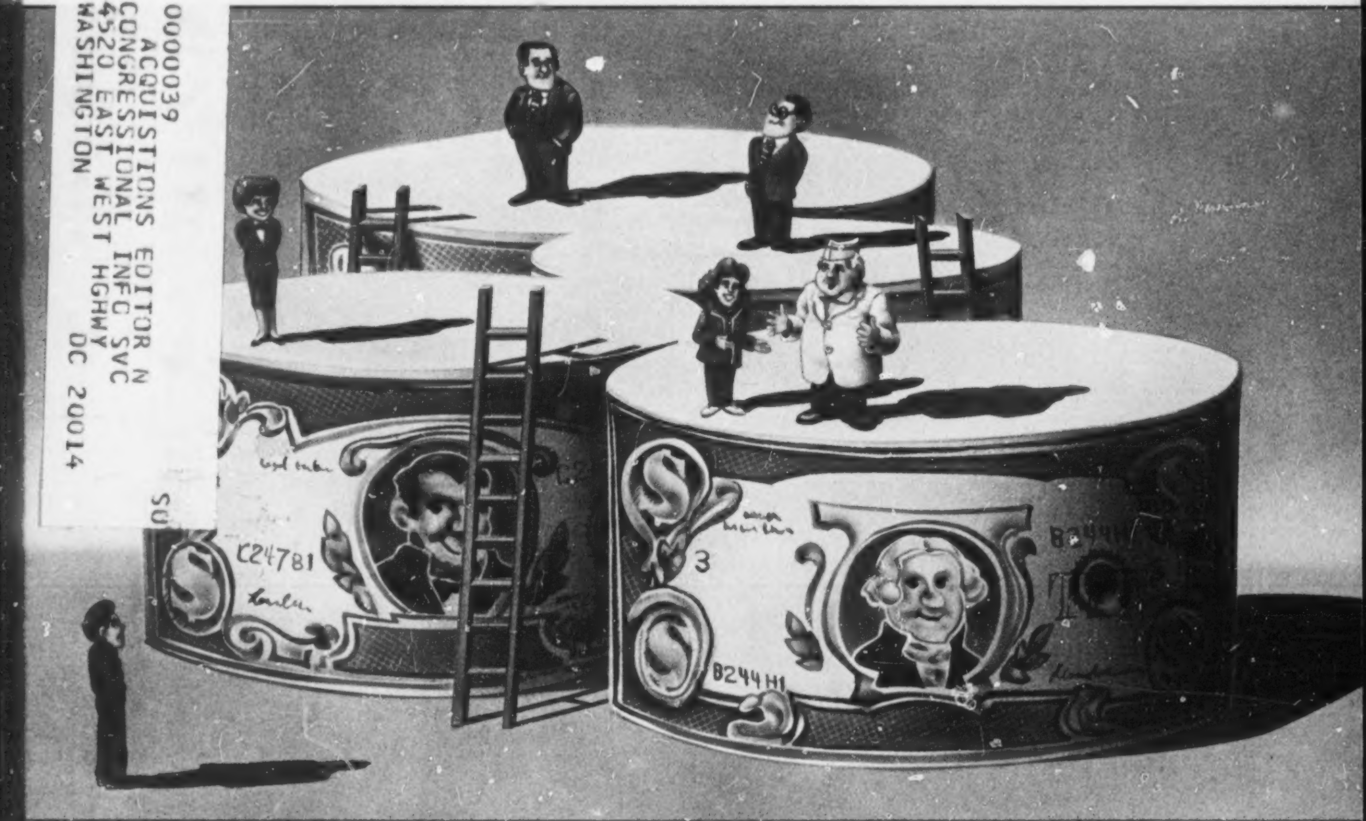

CSA Exclusive Employee Salary & Attitude Survey:

Where do you stand on the compensation ladder?

TWENTY-EIGHT DOLLARS A YEAR (U.S.A.)

Chain Store Age
Supermarkets
May 1983

Scanning software plunges into the world of merchandising and marketing ....*p. 37.*

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Supervisors are the only supermarket store-level employees to crack the charmed $40,000 club. Store-level employees care about profitability, and a poor showing by their store can hurt morale. These are some of the findings of *CSA's* exclusive Employee Salary and Attitude Survey; the rest may surprise you even more **21**

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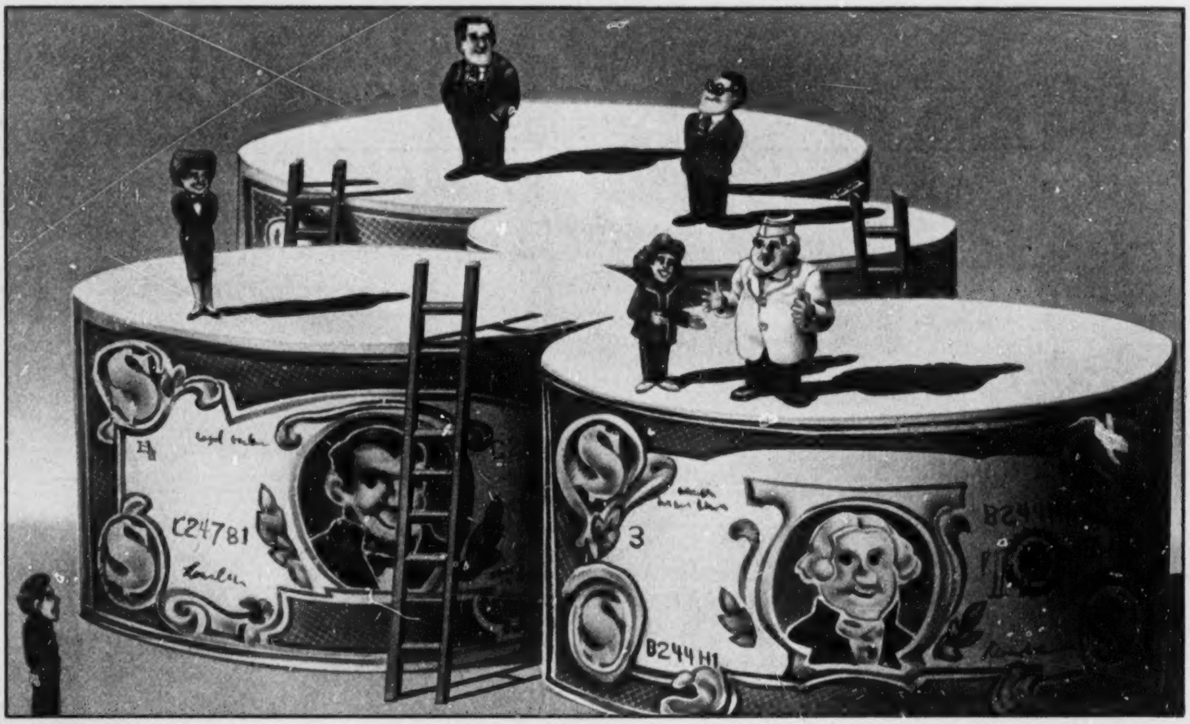
Chain Store Age
Supermarkets

Exclusive employee salary and attitude survey

The only store personnel to crack the $40,000 club, supervisors lead the supermarket paycheck pack



Money.

Little in life intrigues us more than the green stuff. We all need it, most of us want more of it, and everyone has to admit to more than just passing curiosity when it comes to the size of the other guy's wallet.

You don't have to sneak a peek at the paychecks of everyone involved in day-to-day supermarket operations to know *who* makes the most. The lowliest paid clerk figured that one out even before he discovered the best hideout from the Friday night rush. The only person who can turn a store manager's face pale, the supervisor (or zone manager), collects the heftiest store-level compensation package.

But *how much* cabbage does a supervisor bag each week? If you're a produce manager, figure that the top banana slides in with almost $300 more each week than you do. If you're the dairy/deli chief, the big cheese's slice of the payroll is double yours. And bakers must work two weeks and a half-day to bring home the kind of bread that a store supervisor makes in one week.

Supervisors, on the average, receive $43,100 per year, according to data compiled by Lebhar-Friedman Research exclusively for *Chain Store Age Supermarkets*. Determined by confidential wage and benefits information from more than 85,000 store-level supermarket employees, research data was used to develop this first-ever *CSA Supermarket* Salary and Attitude Survey.

Supervisors are the only store-level executives, on the average, to crack the $40,000 club. Those who work for chain operations fare considerably better, drawing a total package of $45,500. Supervisors with independents punch in at $39,500.

While chain store supervisors have higher salaries than independents, $36,875 vs. $35,714, the big difference in renumeration comes from bonuses. Although most supervisors, be they chain or independent can expect some type of bonus, chain supervisors feather their nests with an average extra $6,062 per year as compared to $4,125 for independents.

Indeed, for every store-level job except one, chains reward their workers with more money than independents pay. Only bakers fare better working in an independent operation.

Store managers receive the second-highest renumeration package, which averages $34,218. A chain store manager can expect to make

$4,246 more per year than his opposite number at the indy down the street. Almost 30% of the difference comes from bonuses.

No other store-level employee, on the average, knocks down more than $30,000 in annual total renumeration, although the meat manager in a chain store receives $30,500 nationwide. As a group, the package for meat manager—the best-paid employee after the store manager—is $28,593. He far outdraws the manager's lieutenant, the assistant store manager, who makes $25,468.

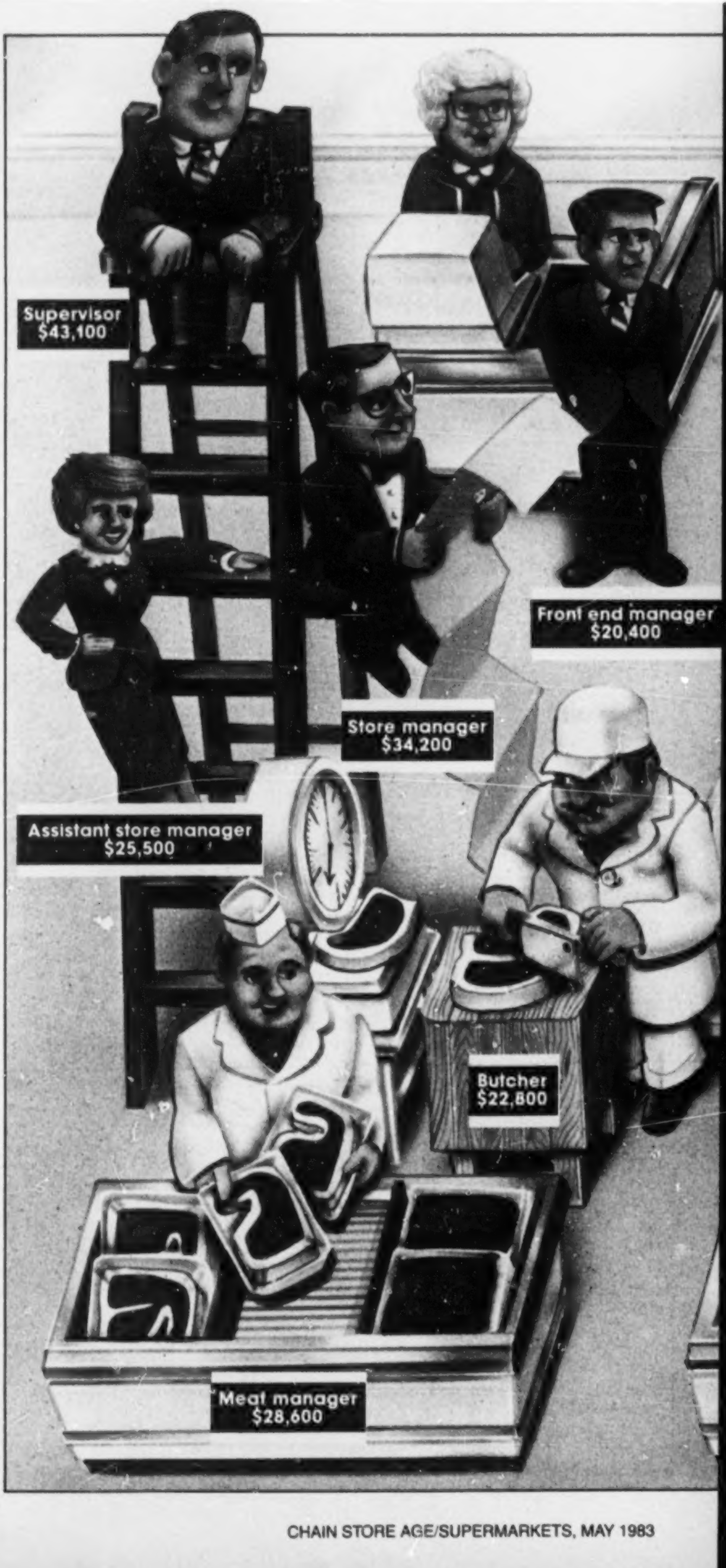
It should come as no surprise that a skilled specialist with management responsibilities, like a meat department head, should be compensated better than an assistant manager who may be bright, but green, as he or she begins the climb up the supermarket ladder.

Department managers are all within a hair's-breadth of each other. Grocery managers lead the pack with an annual total compensation of $22,857; produce managers garner $22,338; nonfoods managers—or GM/H&BA department heads at many stores—$20,543; front-end, $20,384; dairy/deli, $20,000.

The only specialist who can match paychecks with department managers is the butcher, whose annual income of $22,822 ranks him close

Key findings

- Meat managers receive the highest remuneration package of all supermarket department managers. In fact, on the average, they receive a higher compensation package than do assistant managers.
- In general, chains provide greater remuneration packages than do independents. For those positions where greater remuneration is given by chains, on the average, chains will exceed independents by approximately $3,800.
- Supervisors ($6,653) and store managers ($6,004) receive the biggest benefits packages.
- Store managers (88% of respondents) are most likely to receive a bonus. Supervisors (56%) and assistant store managers (56%) are next in line.
- Chains tend to award higher average bonuses than do independents. Notable exceptions are produce managers, $1,357 (independent) vs. $1,125 (chain); dairy/deli managers, $1,125 (independent) vs. $500 (chain); front-end managers, $916 (independent) vs. $500 (chain).
- Medical coverage is the most common employee benefit. In order of frequency, benefits provided are medical coverage, life insurance, dental plan, severance pay, profit sharing, store discount.

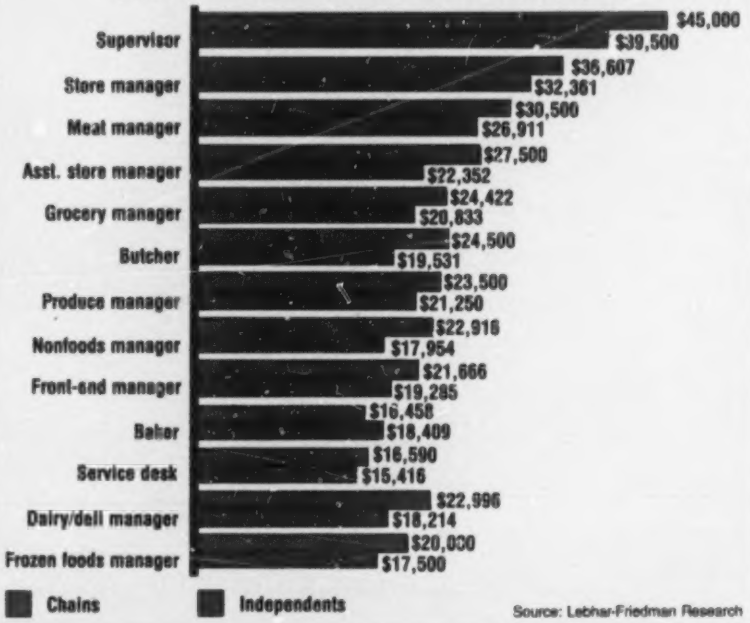


Supervisors draw top salaries

Position	Avg. annual salary	Avg. annual bonus	Avg. annual total remuneration*
Supervisor or zone manager	$36,447	$5,417	$43,100
Store manager	28,214	3,910	34,218
Meat manager	25,564	2,154	28,593
Asst. store manager	24,166	2,100	25,468
Grocery manager	21,538	1,687	22,857
Butcher	21,166	500	22,822
Produce manager	21,292	1,272	22,338
Nonfoods manager	18,182	2,875	20,543
Front-end manager	18,900	708	20,384
Dairy/deli manager	18,333	812	20,000
Frozen foods manager	17,500	916	18,409
Baker	17,500	500	18,152
Service desk personnel	15,357	500	15,978
Full-time stockers	15,267	—	15,267
Full-time checkers	15,163	—	15,163

*Salary plus bonus do not equal total remuneration due to change upon which averages are calculated.
Source: Lebhar-Friedman Research

Chains pack more clout in paychecks
(total mean remuneration for selected store-level employees)



Source: Lebhar-Friedman Research

on the heels of the grocery manager and almost $500 ahead of the produce manager. As in the meat manager's relatively high salary, the butcher's respectable paycheck reflects both the importance of the meat department to a store's total operation and management's commitment to the people involved in this cornerstone of supermarketing.

Lower-paid workers in a supermarket are the frozen foods manager, $18,409; baker, $18,152; service desk personnel, $15,978; full-time stockers, $7.34 per hour, and checkers, $7.29 per hour. Part-time stockers and cashiers average $5.91 an hour.

Except to bakers, who average $1,951 more a year at independent supermarkets, chains provide greater renumeration packages. Chains generally exceed independents by approximately $3,800 per employee.

As workers move higher up the organization, the financial clout of chains is even more evident. While service desk personnel at a chain can expect an average of $1,174 more than their independent opposite numbers, the disparity becomes increasingly noticeable with some department-level managers garnering as much as $4,962 more at a chain.

Not surprisingly, supervisors at chains take a whopping $6,000 more a year to the bank—perhaps, in part, reflecting the entrepreneurial independent's management style of personal involvement in multiple store-level functions.

Assistant store managers can expect $5,148 more at a chain than if he hitches his wagon to an independent's star. And butchers will draw $4,969 more at a chain, a disparity best explained by examining the operations of small independents whose chief executive officer may very likely be the head meatcutter, too.

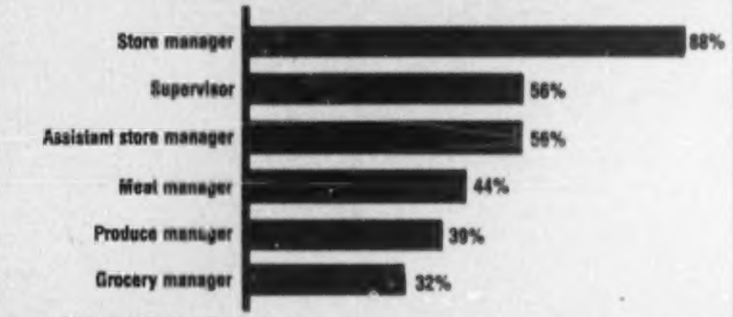
Chains stuff their workers' Christmas stockings better than independents, too. Only the produce manager, dairy manager and front-end head can expect a greener Christmas in an independent operation. Not unexpectedly, supervisors walk away with a lot more than a canned ham from the store's annual Christmas party. Chain store supervisors add an extra $6,062 and independents another $4,125 to their incomes. Store managers are next with an average extra take of $4,775 at chains and $3,533 at independents.

Department managers' bonuses range from $708 to the manager who keeps the front end shipshape to $2,875 to the nonfoods captain. Surprisingly, the well-compensated butcher won't enhance his salary very much with an average $500 annual bonus. ☐

About this study

The first CSA *supermarket salary survey was compiled by Lebhar-Friedman research exclusively for* CSA Supermarkets. *Additional analysis was provided by* CSA *editors. Wage and benefits data from more than 85,000 store-level supermarket employees from every region was obtained. Both independents and chains were surveyed, with the average chain having 79 units and an annual volume of $700 million. No geographical variances were noted.*

Benefits packages spotty for store employees



Store managers most likely to receive a bonus
(% of respondents receiving bonuses)

Source: CSA/Lebhar-Friedman Research

"Money, of course, isn't everything," the wise old sage once said. "But it's way ahead of whatever's in second place."

Second place must be reserved for benefits packages, which are, at best, spotty in their value.

Over 90% of full-time employees can count on some type of medical coverage, but generally two-thirds had better start their own savings account for the other rainy days that fall into every life. If you're ever shocked with a pink slip, don't count on getting severance pay. Only assistant store managers, dairy managers and frozen foods managers have better than 2 chances in 5 of getting a financial helping hand from their ex-employers. And nearly 3 checkers in 4 would have nothing but a wing and a prayer should their time run out.

The top is no more secure than the middle, with only 32% of supervisors and 34% of store managers getting a check with their checkout notice.

Generally, the likelihood of fringes increases with the size of the paycheck. While store discounts are infrequent, about 12% of supervisors, store managers and their assistants are eligible for food bargains. Service desk personnel trail the lot, only 4% with an inside track. While store managers are almost certain (97%) to get company-paid life insurance, 1 out of 5 checkers and service desk workers must pay for his or her own coverage. There are substantial holes in dental coverage for 1 out of every 3 checkers, stockers and meat managers; on the other hand, 84% of store supervisors may still face the pain of the dentist's drill, but not the dentist's bookkeeper.

The gem of benefits in a profitable company is profit-sharing, and nowhere is the disparity greater within the store hierarchy than for this one fringe. More than half—53% of store managers and 52% of supervisors—of the top two are eligible. By contrast, the next likely candidate for a piece of the action is the assistant store manager, who 2 times out of 3 still will not reap extra money when his store's net soars.

Job for job, benefit for benefit, chain store workers generally fare better. There are some notable exceptions. Seven out of 100 chain store meat department managers don't receive company-paid medical insurance, while all independents who were surveyed pick up doctors' bills for meat department heads.

Independents are much more lenient when it comes to severance pay as well. Except with service-desk and part-time workers, chains hang much tougher than independents do when they bid that final farewell.

The pink slip, while most severe, is not the only way to have your life turned upside down. Store closings can also disrupt a supermarket career.

With their many units, chains apparently are safer havens if one unit should fold. A store employee working for a chain operation is twice as likely to get a new job at another company store; nearly 9 out of 10 victims of chain store shutterings survive with a transfer to a similar job.

Store profitability No. 1 concern

Even more than pay hikes, updated equipment would improve productivity, store-level employees suggest

"To improve sales and profits, this supermarket should modernize its equipment."

"The company should have competitive pricing—install scanners and drop shelf pricing."

"We need more computer technology."

These observations all come from store-level supermarket employees who have the unique, hard-nosed perspective toward business that someone gets only from the constant turmoil of the front lines.

The first speaker, a 36-year-old woman, works in a deli department. The next two quotes are from male store supervisors. They share common goals, the common frustrations, with top management, but almost as one, they all struggle for more profitable stores.

Surprisingly, store profitability emerges as the No. 1 concern of store-level employees, according to a confidential *Chain Store Age Supermarkets* survey of attitudes among supermarket workers.

Updating equipment was most frequently suggested as the best way management could help store personnel work faster and better. The cry to join the technological revolu-

"If I got a $5,000 bonus . . .

I'd buy a new car," beams young Reggie West, produce clerk at a Tyler, Tex., Brookshire's Food Store. "My old car's kind of beat up with over 90,000 miles on it."

Not too many store-level people ever get a bonus check quite that large, although the *Chain Store Age Supermarkets* Salary and Attitude Survey does note that supervisors, on the average, collect $5,416 in annual bonuses. Store managers, who average $3,910 in bonuses during the year, are the most likely candidates for extra cash, however. Nearly 9 out of 10 may expect additional loot for a job well done.

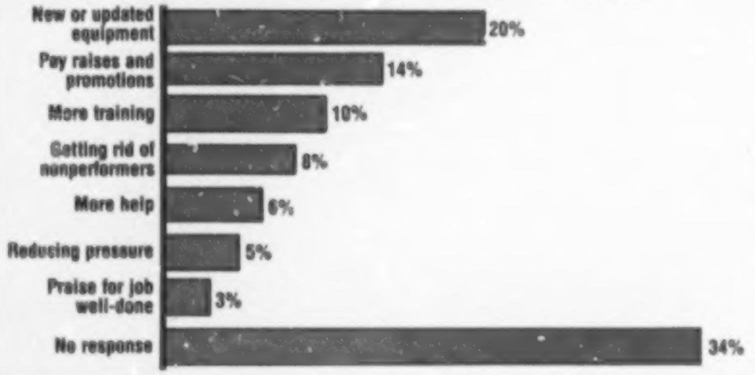
But most store-level employees must get their job satisfaction some way other than large bonus checks. For example, West gets most of his on-the-job enjoyment by surrounding himself with interesting people. "The thing I like most are the people I work with in the store," he declares. "They're so friendly."

Reggie West, produce clerk at Brookshire.

If "good apples" are the best part of his job, then the rotten ones he must clean out of Brookshire's produce racks are the worst. "Bad merchandise—you just have to run through it as often as you can," West says.

But sometimes the 21-year-old five-year veteran of supermarkets (he also worked at Safeway) gets a free taste of the more exotic fruits. "Mangoes taste pretty good," says West of his favorite. "But papayas—they're too-o-o-o sweet for me."

My company makes me work better and faster with . . .



Source: CSA/Leo Shapiro and Associates

tion (from 20% of our respondents) beat out even personally motivated suggestions, such as pay raises and promotions (14% of respondents), the second most-frequently suggested way to improve productivity.

"I should be given the hours that I've earned," claims one frustrated 24-year-old checker. "They should give us what we ask, and not give all the good hours just to their 'pets.'" The young checker is not alone in her negative attitude toward some of her fellow workers who, in her eyes, may not be carrying their full load. After "better training" (10%), store-level workers most often urge management "to cut out nonperformers, make sure everyone works."

"Get rid of the people who do not perform," urges a 46-year-old deli clerk.

"Make sure everyone does their work. Let go of poor workers," suggests a 25-year-old produce manager.

A 27-year-old store bookkeeper sums up this attitude that some supermarket workers have for their fellow workers: "We need better employee incentives for better productivity and a reward system for those who are never sick."

Management should listen to its store workers, not just as a display of humanity but because a two-way street from the corporate boardroom to the store's backroom helps productivity, boosts sales, and, ultimately, improves the bottom line.

The four ingredients that most influence morale in supermarkets are: (1) store performance, both in terms of providing a good place for customers to shop and profitability for owners; (2) employee performance; (3) job satisfaction; (4) company performance in terms of community contribution, competitiveness, growth and profitability.

Store performance: *CSA* asked a cross-section of store-level employees at conventional supermarkets, combo and superstores how they would rate their store's strength's with customers. Employees see themselves playing a critical role in the success of an operation, evidenced by "service" receiving the top rating. Forty-two per cent gave the best possible rating to their store's "service," indicating great confidence in their own personal contribution.

Quality of produce and meat also rated highly; store prices were often judged to be acceptable, but not outstanding.

A 39-year-old meat wrapper sums up the value of customer service: "We should continue merchandising friendly attitudes."

Key findings

- Store profitability is the major concern among store-level employees.
- Management could most improve productivity with updated equipment, the largest segment of employees (20%) suggested.
- Store performance, employee performance, job satisfaction and company performance are the four major factors that influence morale in supermarkets.

"If I got a $5,000 bonus . . .

Ann Krueger, checker at Jim's Food Store.

I'd faint first.

"Then I'd use it on my two weeks' vacation. Find a good place to travel, and maybe ask for an extra week off," says Ann Krueger, who has worked for 3½ years as a checker at Jim's Food Store in downtown Cedar Rapids, Iowa.

"But I wouldn't quit because I get to meet a lot of interesting people in my job."

Her job at Jim's lets her do everything from ordering candy, overseeing can and bottle recycling, and opening the store in the morning. It's a pleasant change from her former grind at a nearby factory. "I've never had a job I liked so much. It's not like working on an assembly line."

While some store employees consider the long hours of supermarket work one of the chief drawbacks of their jobs, Krueger finds her schedule ideal. "I get afternoons and evenings to myself, only having to work a long day once a week on Thursday," she says.

"My time at work goes fast," the checker at the 3,500-sq.-ft. store explains, "because I have so many different things to do.

"I'd rather be in a small place than a large supermarket where my duties would be more channeled."

Employee performance: Generally, supermarket employees feel that they are performing well. On a scale of 1 (worst) to 10 (best), store-level workers rate themselves highly, with a mean score of 8.74. Thirty-seven per cent of the sampling rewarded themselves with the best possible score.

While some employees call on management to provide more training, most store-level employees think that their skills are more than adequate; personal skills drew a top rating of 8.95 on a scale of 10, with 37% giving themselves the top rating. Supermarkets would have a difficult time selling a training program to workers who already feel more than adequately qualified.

Besides, as most store-level workers feel, they already are themselves trainers, pitching in and lending helping hands to fellow employees whose skills may be substandard. More than 4 out of 10 workers give themselves the best possible rating for being helpful to others.

Curiously, few supermarket employees (28%) give themselves top marks for working hard. Perhaps some workers feel that they're justified in leaning heavily on a broom once in a while because store-level employees rate their paychecks only so-so. Only 25% felt that they were making their best possible wage.

Job satisfaction: Although store employees rate highly general working conditions, benefits and personal help during times of trouble, perceptions of long hours, low pay and little chance for promotion color their final judgment about their jobs. Generally speaking, supermarket employees rate their jobs comparatively low.

"What's good about your job?" Employees respond that the best aspect of working in a supermarket is job security. The worst aspect? Cut backs in hours, added workload and too much pressure.

Workers apparently are not unaware of some supermarket strategies to keep pace with an uncertain economy by more efficient use of workers, not fewer workers.

The best thing a supermarket can do for its employees is to stay in business and continue offering workers the sense that their jobs are not in jeopardy. The worst management direction would be to increase pressure. Supermarket employees already feel that they're working hard, and without the benefits of modern equipment and training.

Company performance: In this dog-eat-dog world, supermarket employees seem to think that the company takes care of itself better than anything else.

Workers give their highest ratings to their company's growth potential, competitiveness and profits. However, the lowest marks go for an unwillingness to listen and take suggestions from employees.

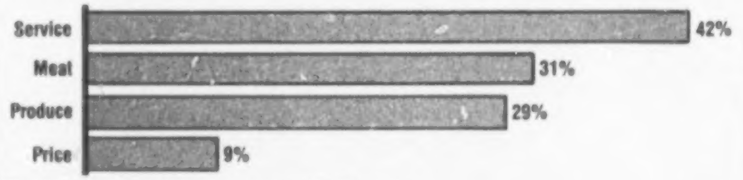
"They should treat me as an intelligent human being," a 44-year-old checker complains.

In terms of overall ratings, the way supermarket employees feel about their employers contributes the least to building morale. Employees see their own contribution as the most positive morale factor. ☐

—**Jody Stone**

Employees rate service as their store's greatest strength

(% of respondents who rated performance aspect "best possible")*



*Total will add up to more than 100% because of multiple answers.

Source: CSA/Leo Shapiro and Associates

About this study

The first CSA *supermarket attitude survey was compiled by Leo Shapiro & Associates exclusively for* CSA Supermarkets. *Additional analysis was provided by* CSA *editors. Researchers confidentially interviewed more than 600 store-level employees from chains representing conventional supermarkets, superstores and combination stores.*

Yesterday's prophets of the new technology help assure today's profits for dollar-squeezing supermarkets

Scanning's second generation: modifying the merchandise mix

Nine years ago, supermarket history was made when a brand new electronic device called a scanner was introduced into a Marsh supermarket in Troy, Ohio.

Supporters of the new technology promised that the system would ultimately yield average per store "hard savings" of 1.2%-1.5% of total sales.

Beyond these savings, promised the experts, would be still more savings, "soft savings," more difficult to quantify but just as real and potentially even more profitable.

At first leery of the necessary huge investments, the industry moved slowly. By the end of 1977, only 209 stores were using scanning. Just 1,389 stores, according to A.C. Nielsen, had entered the new era by the end of the 70's.

But in the last three years, the rate of scanner installations has mushroomed, and today Nielsen estimates that there are approximately 7,200 stores that scan, accounting for approximately 25% of all grocery dollar sales. With stores converting to scanners at the rate of 140-150 a month, Nielsen estimates that there will be 11,280 units with scanners in operation by the end of 1985, accounting for approximately 50% of all grocery sales.

Initial reservations affecting hard savings have all but disappeared. As early as 1977 Ralphs was recording gains of 18% in productivity, 10%-20% in sales volume and decreases of 25% and more in shrink with only seven scanner-equipped stores.

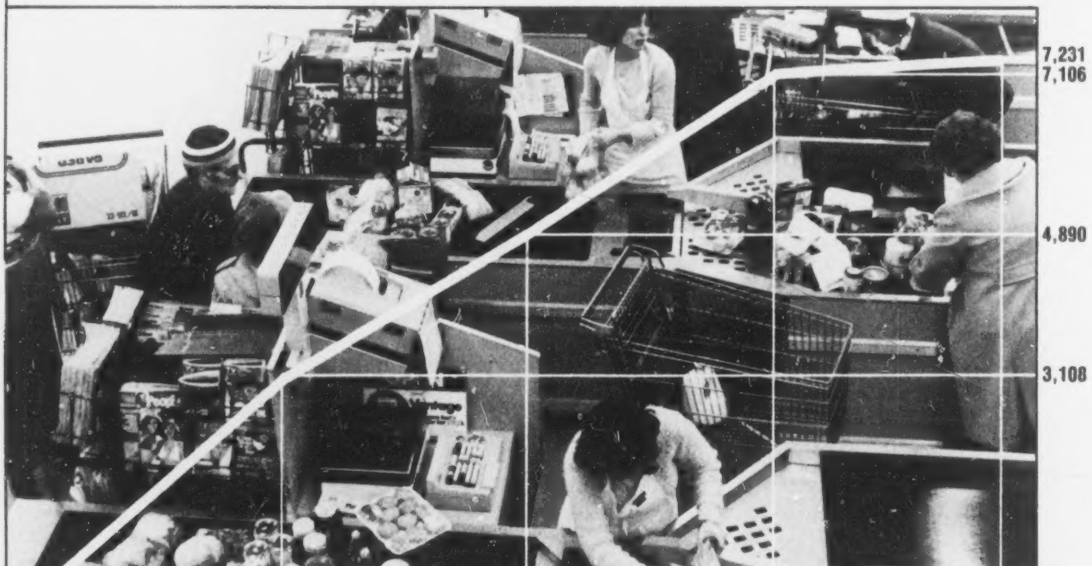
Chains that were the first to achieve hard savings now lust after the soft. Pat Collins, Ralphs president, says that hard savings are only "the tip of the iceberg." Real savings will come through the application of scan data in solving marketing and merchandising problems.

While most supermarket operators are just starting to taste those "magical" hard savings, pioneers like Ralphs, Safeway, Giant, Randall's, Shaw's, Kroger and Winn-Dixie have begun to explore and cash in on soft savings.

Some, like Randall's and Shaw's, are stepping out with new scan-guided space allocation and automatic reorder systems that emphasize higher returns on inventory, faster turns and the maximization of either gross profit or direct product profit dollars in the selection of individual items.

Others, like Giant and Safeway, are going after computerized direct store delivery systems that help to

Rate of scanner installations mushrooms



*As of January 1983
Source: FMI

Winn-Dixie holds first place in scanning
(number of scanner-equipped stores)

	1980		1982
1. Winn-Dixie	264	1. Winn-Dixie	482
2. Publix	246	2. Kroger	454
3. Kroger	192	3. Safeway	329
4. Alpha Beta	140	4. Publix	273
5. Giant Food	127	5. Jewel	176
6. Ralphs	96	6. Alpha Beta	158
7. Safeway	93	7. Giant Food	141
8. National	55	8. Ralphs	121
9. Schnucks	53	9. National	117
10. Shaw's	37	10. Albertson's	116

Source: FMI

round out space allocation programs based on warehouse movement, reduce shrink and maximize inventory control at the back door.

Still others, like Ralphs, Vons and King "Soopers," are directing their energies toward in-store merchandising tests, looking for answers to age-old merchandising questions: What are the best items to promote, where is the best location for a product, what impact will price manipulation have on profits and turns?

Wholesaler input: Independents are in the picture, too. Major wholesalers have become as sensitive to scan benefits as chains. "Chains are using scan data to learn what an independent already knows—to customize a product mix to individual stores," says Super Valu's Ray Ahlgren.

Super Valu is already training field reps to study scan reports to help them answer questions at store level. Support services now have a number of exception reports designed to help the retailer identify product performance relative to a pre-established par.

In Topeka, Kan., Fleming has developed a scan data-assisted shelf merchandising program and soon hopes to have a communications-assisted automatic reorder system in place. The company also has standard merchandising software reports available and is working on developing others. Field reps are being trained to help retail customers conduct basic in-store merchandising tests such as the impact of advertising, display or cross-merchandising on product movement.

Wetterau's H.O.P.E. space allocation program is being supplemented with scan data from select stores. Front-end data is used to improve the measurement of item movement and to capture movement on direct store-delivered products.

But most wholesalers admit they're just beginning to use scan for merchandising decisions. They concede that chains like Ralphs and Winn-Dixie have a major jump on them, but believe the gap will close by 1985.

"We have fewer than 100 stores with scan feeding into H.O.P.E., but the numbers are growing," says Wetterau's Dick Minderman. "There is definitely a trend toward merchandising everyday with scan, but a problem comes in harnessing data. We're just starting to scratch the surface."

Super Valu's Ahlgren notes, "Chains are using scanner data at the host level, but most of an independent's use is at store level. The data doesn't have the same depth." Scanners at store level can only produce a week's report, as compared with 13-week reports and indefinite histories at host level.

Once an independent would spend up to eight months becoming familiar with a newly installed scanning system before opting for host communications. Now, says Ahlgren, independents opt for host services as often as they add scanners. He expects the trend will escalate in 1983 as wholesalers come up with improved exception reports, checker productivity analyses and rank reports.

Some scan users have flirted with the idea of tying other functions such as DSD to their scan computers—an approach experts such as Alan Hernandez of Los Angeles-based ALH & Associates argue against.

"Scan computers are too important," says Hernandez. "You wouldn't want to risk degrading the checkout function by adding multiple applications."

Mini-computer payback: Chains like Ralphs, Giant and Safeway, as well as wholesalers like Bozzuto's, Fleming and Super Valu, which have tried mini-computers, report results encouraging enough to lead to expansion.

For wholesalers, mini-computers are particularly useful since they provide a common way for the wholesaler's host computer to talk to the various retail scanners.

Although the cost of a mini can run between $20,000 and $40,000, retailers and wholesalers who have experimented with the devices at store level say the payback is tremendous, especially when tied to DSD.

Experts at Fleming, which has a DSD mini-computer program and provides host communication services to more than 75% of its independents with scan, say that the move to more in-store computerization and the greater use of scanner data in merchandising applications was inevitable.

"Probably the best report we have in terms of savings," says Jerry Morton, manager of Fleming's retail electronic services, "is our weekly DSD authorized product report. It helps to identify discrepancies in quantities delivered, costs or approved retail prices.

"Scanner data is important to everyone, but it's especially important to independents. If they're going to realize the 1% added gross profits that are supposed to materialize when you install scan, they need host servicing and reports. This is the direction people are marching in today." ☐

Ambitious building plans reflect economic upswing

With the nation's vital signs looking healthier, food chains are poised for rapid expansion in '83

The nation's leading supermarket chains are dusting off their drafting boards and filling up their inkwells in anticipation of a spurt of new store construction in the year ahead.

Small wonder. The economic uncertainties that pervaded the industry last year forced most food store operators to sharply curtail building plans. But the new year has ushered in some convincing signs of economic recovery: Interest rates are dropping, the money supply is loosening, inflation levels are decreasing. And supermarketers are reacting.

A *Chain Store Age Supermarkets* survey of the top 100 corporate chains finds the rate of new store development is expected to increase nearly 90% over last year's pace, with more than 2,200 new units projected in the next 12 months. At the same time, top management intends to maintain aggressive programs of upgrading existing stores.

After a marked drop last year in the average number of stores per chain opened, from 13 in 1981 to six in 1982, respondents project the number will climb to an average of nine this year. The rate of physical expansion, which slid proportionately last year, is expected to rise to an average of 8% per chain.

Underscoring this year's findings was a note of caution: The capricious nature of the economy could at any time dramatically alter the fast-track path most chains hope to take. "Should the money supply begin to tighten again, and should interest rates reverse their downward spiral, we'll have to reassess our building plans," says the chief financial officer of one of the top 10 chains, probably echoing the sentiments of many supermarket companies.

Whatever course food retailers take in '83, one thing is certain: Bigger, bolder and broader (in terms of selection) units are still in vogue. Close to 7 out of every 10 new supers slated for construction will be bigger, while only 7% are expected to be smaller. The balance, some 26%, should remain the same size.

Interestingly, while the same percentage (85%) of these new stores will fall into the superstore and combination store classes, there'll be a decisively stronger emphasis on the food and drug format this year over '82. This might be a reflection of across-the-board chain managements' growing interest in in-store pharmacies, or simply one major chain's (Jewel Cos.) bold combo-store blitz.

Either way, the firm commitment behind superstores and combos is due, in great part, to a deepening reliance on nonfood categories as well as nontraditional specialty departments, both service and nonservice. "From our standpoint, these extras have a higher gross profit margin than the conventional grocery mix," Safeway chairman Peter Magowan said in a recent interview with *The New York Times*. In a 1% business, no further explanation is needed.

Meanwhile, while the industry rivets its attention on the construction of bigger, more diverse superstores, a small but growing number of operators is fielding warehouse outlets. Cheaper to build either by scratch or conversion, the barebones concept is evidently viewed as a potent future vehicle regardless of the state of the economy. One change already evident from the earlier warehouse format: an increased emphasis on perishables and the emergence of service departments in the larger no-frills outlets.

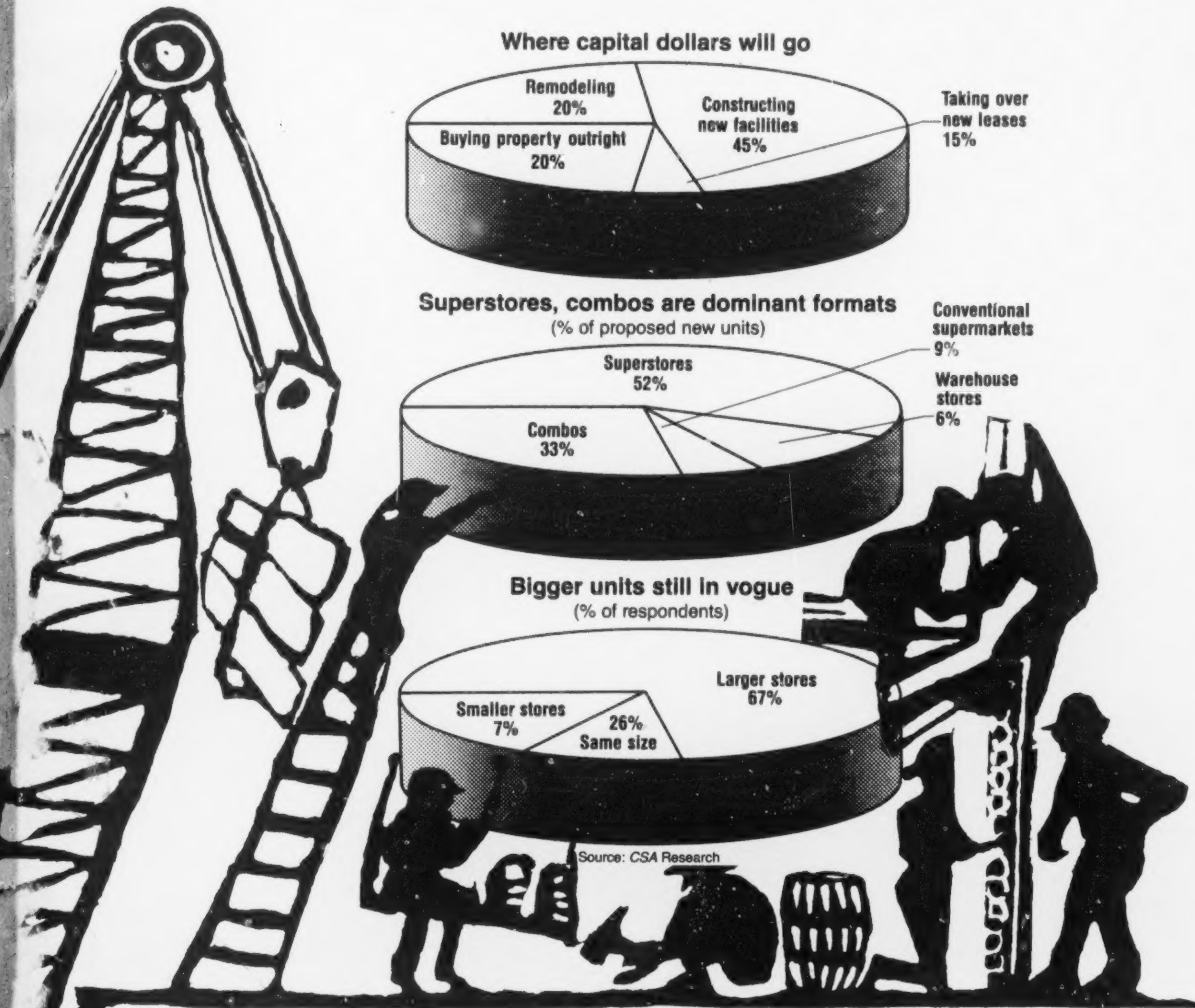
When the corporate chains reach into their coffers this year, one out of every five dollars earmarked for capital expenditures will go toward the purchasing of property—considerably more than what's being put aside for taking over new leases. An equally healthy share, some 20%, is slated for remodeling costs, and the balance, 45%, will cover new store costs. ☐

What's your specialty?
(% of stores planning department)

Department	% 1981	% 1982
Service deli	79	81
Film/photo	71	78
Small appliances	42	41
Bakery	75	78
Cosmetics	63	66
Jewelry	33	27
Gourmet	17	29
Cheese shop	38	52
Service fish	54	54
Reading center	50	54
Pharmacy	58	60
Bank	21	16
Do-it-yourself center	25	29
Liquor	33	38
Floral	63	72
Auto	50	58
Smoke shop	25	31
Snack bar	17	21
Restaurant	17	11
Barber shop*		3
Beauty salon*		3
Eye care center*		5

*New departments
Source: *CSA Research*

How retailers will spend construction dollars



Where capital dollars will go

Superstores, combos are dominant formats
(% of proposed new units)

Bigger units still in vogue
(% of respondents)

Source: *CSA* Research

Big 2 take conservative stance

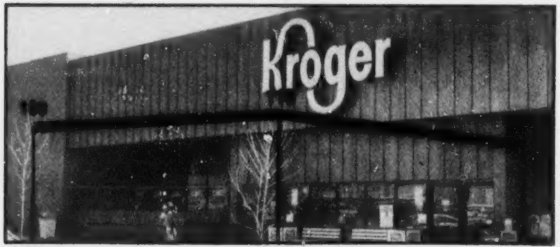
(number of new stores)

Safeway

1981
1982
1983*

*Projected

Kroger



*Projected

**Includes Dillon stores

Source: Chain data

New in nonfoods

- Lip Sizzles Lip Gloss from L'erin comes in a clear compact with a separate sponge-tipped applicator for no-mess application. Containing protective moisturizers, it comes in colors such as Sheer Pizzazz, Plum Whizz and Zesty Cinnamon. Suggested retail is $2.98.
- Deep Woods Off! in a 3.5-oz. pump spray container is designed for families who need an easy-to-carry, long-lasting repellent. Maximum Strength Deep Woods Off! liquid contains a 100% active formula and comes in a 1-oz. see-through plastic bottle with a "dab-o-matic" applicator.
- Soft Mate Preservative-Free Saline Solution from Barnes/Hind Hydrocurve is for rinsing, storage and heat disinfection of all soft contact lenses, including extended wear. It is packed in ready-to-use 15ml sealed vials. Thirty vials are packed to a carton and is priced comparably to a competitor's 25-vial pack.

BARNES-HIND
SOFT MATE
Preservative-Free
Saline Solution
New
30-Day
Supply
30

- Slim-Fast Diet Meal Replacement from Thompson Medical is designed to capture sales for supermarkets and mass merchandisers from the door-to-door sales of diet plans. Available in chocolate milkshake flavor, the product is taken twice a day in place of breakfast and lunch while the dieter enjoys a regular dinner. Suggested retail is $9.35.
- Sally Hansen Cold Wax Hair Remover uproots unwanted hair on body, legs and face. Each kit contains 6 oz. of hair removal wax, 2 fl. oz. of conditioning lotion, 30 removal strips and spatula. Retail is $6.50.

NEW
Sally Hansen
NATURAL
COLD WAX
HAIR REMOVER

Supers, H&BA and statistics

What's the difference between the person who associates supermarkets with H&BA and the person who thinks of drug stores for H&BA needs? The person choosing a supermarket is probably slightly younger with younger children than those shoppers who pick drug stores.

These are findings from a study conducted by Leo Shapiro & Associates for *CSA Supermarkets* (published in last month's issue). Here are a few sidelights of the survey profiling shoppers who named supermarkets as the place they would go to buy six or more of 17 H&BA products listed:

- Over 90% are white. Blacks made up only 5.7% of those who preferred supermarkets, as compared to 7.5% of those choosing drug stores.
- They spend more each week on food store items. The average food bill of H&BA supermarket shoppers is $70, $8 more than those who prefer drug stores and $5 more than those choosing other stores.
- Over 28% have college or post-graduate educations. Those with a bachelor's degree or better make up 23% of drug store devotees and 23.3% of other stores' loyalists.

The 'average' H&BA shopper

	H&BA orientation*		
	Food	Drug	Other
Age	38.1 yrs.	41.8 yrs.	41.8 yrs.
Amount spent on food store items weekly	$70	$62	$65
Annual income	$25,900	$24,700	$24,900
Age of children	7.2 yrs.	9.4 yrs.	8.7 yrs.
Black	5.7%	7.5%	7.8%
Hispanic	0.4%	4.6%	2.9%
White	91.5%	85.3%	85.8%
Male	55.1%	47.2%	46.3%
Female	44.9%	52.8%	53.7%
College and post-graduate education	28.2%	23.0%	23.3%
Have no children	45.7%	61.2%	49.9%

*Respondents who named a particular outlet as the place they would go to buy six or more of 17 products listed in survey.

Source: Leo Shapiro & Associates

Promotion-minded

Reyonolds Aluminum and 3M's Household & Hardware Products Division are running a joint six-month cross-couponing promotion on items used for home freezing of food. A 25¢ on-pack coupon good toward the purchase of Reynolds Wrap Freezer Paper will be featured on 1 million rolls of 3M's Scotch Brand Freezer Tape, while Reynolds Wrap Freezer Paper will carry a 35¢ coupon toward the purchase of the freezer tape.

Scripto is celebrating its 60th back-to-school year by offering consumers a $1 cash rebate on its $1.98 retractable, refillable erasable pen. A $25,000 sweepstakes also marks the event, with the $15,000 college scholarship the top prize. Counter and floorstand merchandisers promoting the sweepstakes are available.

The E-Z Foil "Take-it-easy" sweepstakes asks consumers "How many different items does E-Z Foil make?" Those who submit the correct answer (found on the backs of the company's products) will become eligible for a trip to Tahiti or Hawaii, or any one of 100 other prizes. Entry blanks will be included in every point-of-purchase display shipped this month.

Shoppers have an opportunity to receive free haircolor advice from Clairol during May, which is national haircolor month. Consultation forms are available at point-of-purchase and through a direct mailing. After filling out the form and sending it to Clairol, consumers receive a recommendation of the exact product and shade to use, along with a money-saving coupon. The company is also offering consumers a refund.

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Chain Store Age Supermarkets June 1983
THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

DSD pioneer saves Price Chopper over $400,000 a year

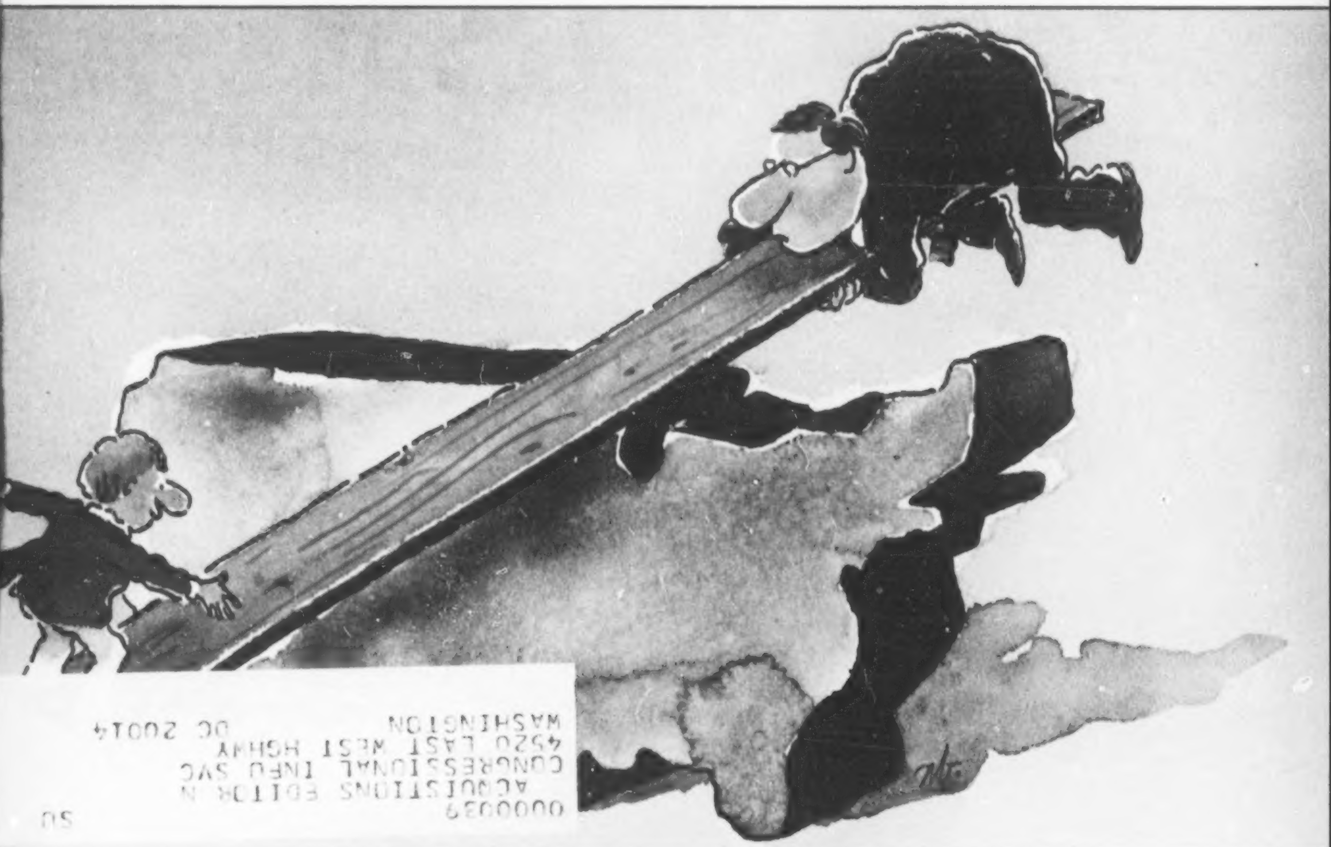
Northeast beware: here come Edwards' super warehouses

What c stores know, and aren't telling, about dairy

Can scanners make newspaper ads really pay off?

Nash Finch: secrets for keeping the bottom line productive

A look at Brookshire's future: service-centered superstores



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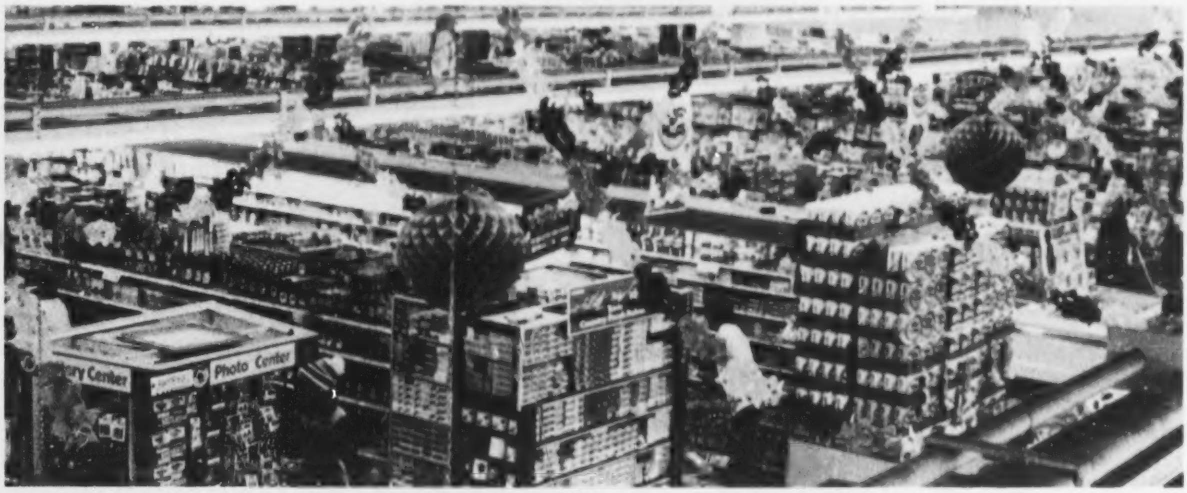
Hometown Power:

Why some regionals (and we name them) outweigh national chains

TWENTY-EIGHT DOLLARS A YEAR (U.S.A.)

Chain Store Age
Supermarkets
June 1983



Regional operators like Big V are waltzing away with outstanding sales per store .... *p. 19.*

On the Cover

Like expert marksmen firing rifles rather than shotguns, hometown giants dominate their markets by staying close to headquarters in a narrowly targeted trading region. Often market leaders, they double the industry average in sales per store. *CSA* tracks the performance of the top 16-mega-store operators in this exclusive *CSA Supermarkets* report. **19**

Buying Habits Study

What stores grab the most dairy purchases? (Clue: It isn't supermarkets.) In this third installment of *CSA*'s exclusive survey of leading store categories, consumers tell why they go elsewhere, and what would bring them back. **26**

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Lieberman

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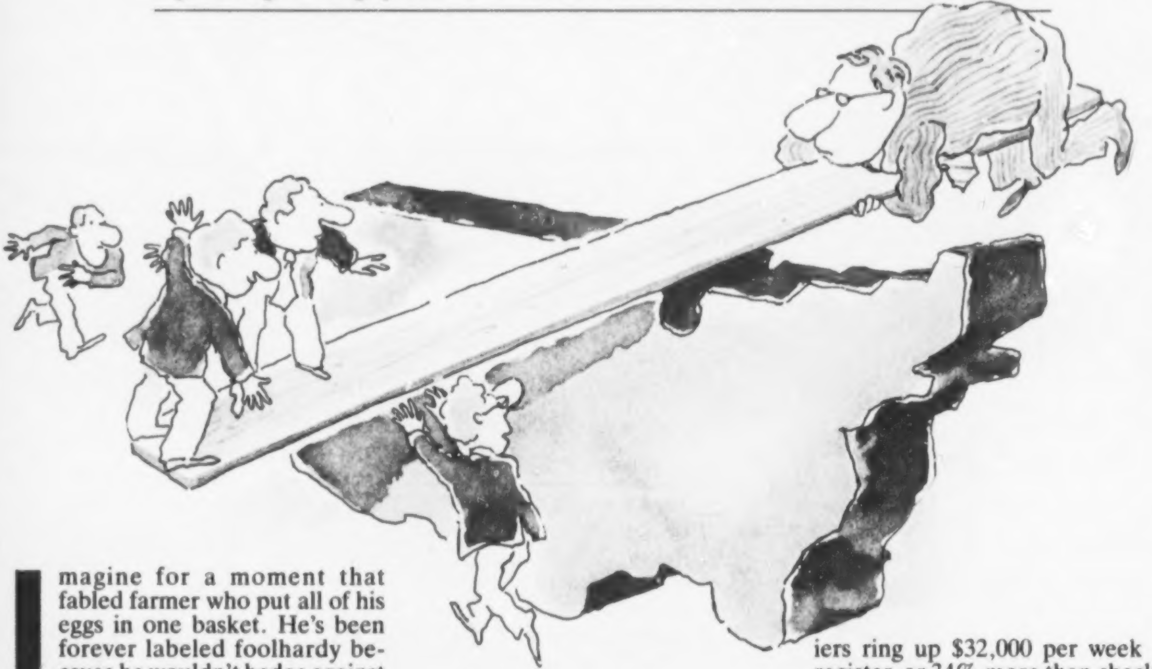
Hometown power: the musclemen of superstores

Sixteen retailers double the industry average by targeting fewer markets with GM-laden units



Imagine for a moment that fabled farmer who put all of his eggs in one basket. He's been forever labeled foolhardy because he wouldn't hedge against disaster. If he tripped and witlessly spilled the rewards of his work, all would be lost.

But what if he doesn't trip?

The same strategy that could damn him as foolhardy could also be used to praise his efficiency.

In a sense, a supermarket operator faces similar options in allocating resources: divide funds among hundreds of small and middle-sized units across dozens of markets, or concentrate capital into fewer but bigger stores that saturate a handful of markets in one region.

Those who adopt this approach, like Schwegmann's Giant Super Markets in New Orleans, or Smitty's in Phoenix, or Strack and Van Til in the blue-collar suburbs south of Chicago, choose to stick close to their home base rather than fuel future growth by venturing into new markets. They keep all of their "eggs" in one trading region and, as "hometown" food merchants, waltz away with astronomical sales per store.

Schwegmann's, the hometown strongboy of Louisiana, averages over $36 million at each of its 11 stores concentrated in the metropolitan New Orleans area. Compare that to only $7 million per store averaged by the five top national chains, all of which must maintain complex distribution networks to service hundreds of units in dozens of states.

While the New Orleans chain captures over one-fourth (some say 30%) of its $1.5 billion market, Winn-Dixie, its chief competitor, trails a distant second; W-D's 15% share gleaned is from more than three times the number of units as Schwegmann's. With its headquarters over 500 miles away, Winn-Dixie also has to manage a dozen distribution centers to service 1,200 stores spread across 13 Sunbelt states.

The biggest of the hometown giants with an estimated $400 million in annual sales coming from just 11 stores, Schwegmann's is generating about $700,000 weekly from each unit—that's four times the average superstore volume. The stores' cashiers ring up $32,000 per week per register, or 34% more than checkers in an average superstore.

Other hometown giants play Schwegmann's big store-big sales game even better. Harmon's City Markets, the chain that ranked highest on our roster of average store sales, and Pathmark, which ranked fourth, both generate outstanding sales per square foot; each average $15 per store per week (the average hometown giant is doing $12, and the industry average is $7.43).

In terms of home markets, there are only two pockets of the country where mega-giants face competitors that can honestly come up against them toe to toe: metro New York and Boston. In New York, the chains are Pathmark, averaging $23.4 million per store; Singer Shop Rite, $21.6 million per store; MelMarkets, $17.3 million per store; Big V, $17.2 million, and Village Super Markets, $15.2 million.

In Boston it's DeMoulas, averaging $18.2 million per store, Purity Supreme/Heartland, $16.7 million per store, and Alexander's, $15.7

What makes a regional power? For Big V, Wegman's and ShopRite (l. to r.), it's a function of size, price and seductive graphics . . .

million per store.

The rest of the hometown powers, all fighting more conventional competition, either dominate their markets in spite of the fact that many of their competitors enjoy all the economics of scale that accrue to bigger chains, or they stay even.

In Salt Lake City, a market where more than a one-third share goes to independents, the rest of the pie is carved up in a four-way catfight. It's Smith's Food King, Safeway and Albertson's, each with more than 20 stores, going at it with all five of Harmon's City Markets.

Harmon's general manager, Richard Harwood, thinks the reason his five stores can hold their own against chains with 20 or more stores is pretty simple. It all has to do with having big stores, wide variety, lots of nonfood items, low prices—and store managers who command respect.

Between the respect Harmon's pays its managers and its strong commitment to decentralization, the company is a force to be reckoned with. The decentralization permits the managers to be flexible, autonomous and better equipped to cope with changing market conditions. The respect, and Harmon's financial package in the form of bonuses that can increase a manager's base salary eightfold, provide ample compensation.

In Phoenix, Smitty's earns its third ranking as a hometown power by dominating its market with a 26% share pulled out of a mere 20 stores. Alpha Beta, A. J. Bayless, Lucky and Safeway each have more stores, yet they trail Smitty's share.

Why? Smitty's absolute command of one-stop shopping. In addition to the normal wide variety associated with hometown giants, many Smitty's stores also boast pie shops, pizzerias, stand-up snack bars and sit-down restaurants. One unit even has a cocktail lounge.

What Smitty's is to Phoenix, Strack & Van Til is to the Gary-Hammond East Chicago market. The $20 million generated by each of Strack & Van Til's stores is more money than some chains generate from several stores in the market.

Strack & Van Til and its sister operations, Van Til's and Ultra Warehouse Foods, don't yet control as much of the market as independents affiliated with Certified Grocers Co-op, but there are 40 Certified affiliates to Strack & Van Til's five stores, a ratio of 8 to 1.

In the Rochester market, Wegman's displays similar muscle against Star. Wegman's has the dominant market share, even though Star has 14 more units.

Hometown power "West Coast style" can be found in the aisles of

Hometown giants: operators averaging over $15 million per store

Chain	Primary markets	No. of stores	Sales per store ($ millions)
Schwegmann's	New Orleans	11	$36.4
Harmon's City Markets	Salt Lake City	5	35.0
Smitty's	Phoenix	20	24.9
Pathmark	Metro New York	121	23.4
Singer	Northern N.J.	6	21.6
Strack & Van Til	Gary-Hammond, Ind.	5	20.0
Fred Montesi/Liberty	Memphis; Birmingham	8	18.8
DeMoulas/Market Basket	Boston; N.H.	33	18.2
Fred Meyer Inc.	Portland, Ore.	68	17.6
MelMarkets	Long Island, N.Y.	15	17.3
Big V	Mid-Hudson Valley, N.Y.	30	17.2
Inserra	Northern N.J.	16	16.3
Purity Supreme	Boston	42	16.7
Wegman's	Rochester	35	16.4
Raley's	Sacramento; Reno	41	15.9
Alexander's	Boston; N.H.	7	15.7
Village Super Markets	Northern N.J.	20	15.2

*Estimate
Source: *CSA* and Lebhar-Friedman Research

. . . For DeMoulas (l.) and Schwegmann's, it's due to vigorous cross-merchandising, variety and dramatic displays of GM.

Raley's and to a certain extent Lucky. Lucky is inching close to matching Raley's $15.9 million per unit; but Raley's, with 30% fewer stores in the market than Lucky, is only trailing in market share by a slim 6%.

In Oregon, Fred Meyer knows how to exercise hometown power. In Portland, with seven fewer stores than Safeway, the chain has the higher market share in a tight horse race.

Independents in the form of United Grocers co-op affiliates control 30% of Portland, but then there are three times as many UG independents as there are Fred Meyer units. With only 3.5% of the stores in the market, Fred Meyer controls a 16% share.

Anyone who notices how much hometown giants are doing with so little can't help asking the inevitable question: How do they do it? How can their stores consistently double the industry average in sales, with many units topping the charmed $30 million per store mark?

Part of the answer is that they all carry broad-and-deep inventories, and they are all either new or remodeled megastores that dwarf their competition—for example, Schwegmann's 33-checkstand, 90,000-sq.-ft. flagship store's direct neighborhood competition comes from a National unit four times smaller with only seven cash registers.

The giants' stores are big, but not fiscally flabby. Shrewd merchandising with a strong commitment to high-margin nonfoods helps achieve that magic $12 per square foot. Many high-ticket GM items, such as microwave ovens and refrigerators, are also not found in most supermarkets.

Hometown giants also have been able to dominate their target markets by channeling their resources into fewer but bigger stores. They advocate the cornerstones of smart superstore management: low prices, heavy promotion, variety and depth of merchandise, and they do that in food as well as nonfood categories.

But they also play one trump card that big chains rarely have. Schwegmann's beats Winn-Dixie in New Orleans for the same reason that Harmon's sends Alpha-Beta scampering in Salt Lake City: hometown connections. The good will is often passed on from generation to generation. Long before he worked at Schwegmann's, first as a 17-year-old bagger and today as director of grocery operations, Roy Lacoste felt at home with the New Orleans giant. He felt a certain loyalty.

"I grew up with Schwegmann's. My parents shopped there." □

Nashua, N.H.: giants battle for market share

Nashua, N.H., could be called the land of the hometown giants.

The "fastest-growing industrial city in the United States," according to the Boston suburb's local chamber of commerce, the bedroom community of 70,000 is a battlefield where Alexander's, DeMoulas and Purity Supreme scramble for market dominance.

Alexander's two stores capture an estimated 28% of Nashua's $150 million in annual supermarket sales by concentrating on food and service while steering clear of stores laden with GM.

"We believe in full-shelf presentations," says Alexander's ceo, Robert Gordon. "We're careful to have little out-of-stock, emphasize service and food."

Alexander's image is based largely upon its perishables selection, highlighted by its "choice only" red meat and service fish departments. Despite the intense competition from second-ranked DeMoulas, which captures an estimated 24% share, and third-ranked Purity Supreme, whose one convenience outlet garners a 14% share, Alexander's doesn't waver from moderate pricing.

The race in Nashua should intensify by the end of the year. Alexander's is already building a third store in Merrimack that will be 46,000 sq. ft. Keeley Farms, Salem, N.H., may also enter the market with a high-volume conventional supermarket located in Nashua.

Souring image leaves the dairy case vulnerable

BUTTERMILK
69¢
Dellwood

Shoppers shrug at lackluster aisles, then buy elsewhere for convenience; strong marketing could bring them flocking back

If happy days at the dairy case are starting to sour, retailers must take the blame. Supers' lackluster departments and high prices make them vulnerable to outside competitors who offer quicker shopping visits and better buys.

In addition to these negative consumer perceptions toward service and value, supers face another developing dairy problem: the growing numbers of shoppers in their 30's, including many working couples, as key dairy purchasers. By a wide margin, they buy dairy wherever it's most convenient because they consider it a commodity. Benefiting from this, convenience and dairy stores, gas stations and drug outlets are becoming greater contenders for dairy sales.

According to a survey of supermarket shoppers, based on interviews with 525 "chief food buyers," Leo J. Shapiro and Associates found that one shopper in four buys dairy regularly at convenience outlets, although in small proportions to their total needs. Among those surveyed, 19.2% estimated they bought almost 30% of their dairy goods at convenience outlets. Shapiro found that supermarket retailers have been suffering a slow but steady erosion of their dominance among dairy product buyers.

While young shoppers are spending much more of their food dollars on dairy—even more than their parents did—sales in the supermarket are not keeping pace with that trend.

One out of every 4 shoppers now buys dairy in c stores. The draw: convenience and price.

The reason for the lag appears to be that supermarket operators have let convenience store operators seize the initiative in merchandising dairy.

In addition to frequently promoting milk and other "highly visible" consumables from the dairy case as loss leaders, "c" store operators frequently stress the ease of shopping their stores as a way to steal traffic from supefmarket aisles.

Counterstrategies: It is, of course, possible for supermarkets to reverse this trend, but only with concerted effort. Three counterstrategies present themselves immediately: Retailers should seriously think of converting to vertical shelf sets to slash out-of-stocks; participating in dairy festivals and supplier trade promos to generate in-store excitement, and marketing dairy to build traffic on non-key shopping days. Milk, for example, is such a strong shopping draw that displaying add-ons nearby, such as breads, cookies, puddings, cereals and eggs, will produce incremental sales.

Despite "c" stores, supers still have a reasonably resilient base to work with. Two out of 3 shoppers in our survey visited the dairy aisle during their last trip to a supermarket, and another 24% said they'd been to the department at least once during the previous seven days. Combined, that's 9 out of 10 chief food shoppers who shop for dairy in supermarkets at least weekly.

Moreover, dairy converts browsers into buyers at a strong clip. More than 8 out of 10 shoppers on their regular weekly store visit bought at least one dairy item on their last trip. They spent a mean $5.74 on dairy. And, for more than 1 in 4, dairy accounted for at least 15% of the total checkout—which was a whopping $38.14, better than twice the industry average.

On fill-in store visits, for which dairy is a primary lure, more than 50% of shoppers made a dairy purchase. In addition, shoppers give supers a 7.45 rating on a scale of 9 as being the best local store for buying dairy.

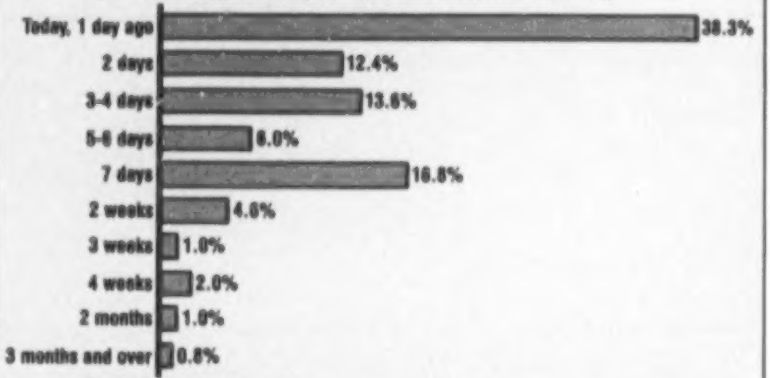
Roadblocks: However, supermarkets are losing opportunities to boost dairy sales by frequently failing to police the case. Sales of milk, the department linchpin, are hampered by out-of-stocks and inefficient refrigeration. High prices and long checkout lines at many supermarkets also limit sales. Unfortunately, the prevailing strategy at many chains has been not to discount milk for fear that incremental sales will not make up for lost margins. That simply opens a window of opportunity for "c" stores.

The survey shows, however, that dairy shoppers buy an average 2.5 dairy items per store visit. Milk is bought 79% of the time, cheese 44%, eggs 47%, and butter or margarine 26%. Although shoppers spontaneously mentioned yogurt just 9% of the time, its explosive growth is undeniable. Consumer excitement over new brands and new flavors is contributing to an estimated 15% annual sales increase the past few years. These are compelling figures for retailers willing to rethink dairy merchandising strategies.

Retailers who exploit milk's underlying sales strength will add punch to department performance.

Dairy generates fill-in store visits

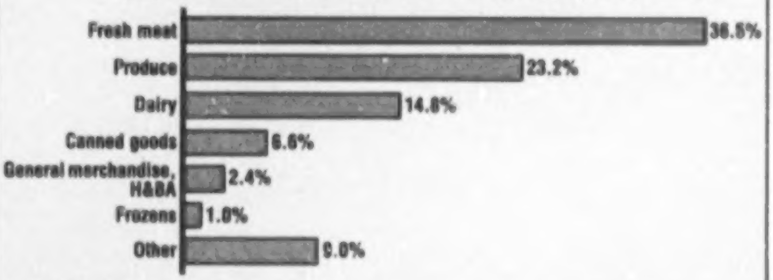
(Last time shoppers bought dairy; % of shoppers responding)



Source: CSA/Leo J. Shapiro and Associates Inc.

Dairy is 3rd strongest department lure

(Departments cited as most important factor in shopping store)



Source: CSA/Leo J. Shapiro and Associates Inc.

Highlights: Did you know that . . .

- One shopper in four buys dairy regularly at convenience outlets.
- Shoppers in their 30's are today's predominant dairy buying group, but they perceive dairy as a commodity and see no inherent value in buying at one store over another.
- Nine out of 10 chief food shoppers visit supermarket dairy aisles at least once a week.
- Eight out of 10 shoppers buy an average 2.5 items at the dairy case weekly.
- One-third of shoppers name dairy as either the first or second most important department in deciding which store to visit.
- Nearly seven shoppers in 10 buy more than half their dairy in supermarkets.
- Nearly one shopper in two fulfills 80% or more of his or her dairy needs at grocery outlets.
- About one-quarter of today's shoppers are buying more dairy than a year ago, citing health-consciousness and larger households as primary reasons.

Realmark gets the cold shoulder

Consumers faced with the choice of buying synthetic or natural dairy items frequently choose the imitation. Why not? No cholesterol, fewer calories, no contaminants and often lower prices are potent lures.

Within specific categories, an early survey conducted by Leo J. Shapiro and Dwight Bohmbach found that margarine users outnumber butter users by nearly 2:1; fans of fabricated coffee creamers outflank half-and-half users by 2:1; shoppers prefer fabricated topping and whipped cream in equal numbers; but in cheese 3 out of 4 prefer the natural product.

To promote sales of natural dairy products, the American Dairy Association has poured millions into its Realmark promotional campaign. Yet according to this exclusive *CSA* study, only 28.5% of chief food shoppers ever look for the Realmark label; an astounding 7 shoppers in 10 remain indifferent to it.

More in-store materials and promotional efforts might prompt greater consumer awareness of the Realmark label. But the benefit to retailers could be even greater if manufacturers of imitative items and manufacturers of natural items ever really put their marketing energies behind their respective stories.

Currently, dairy holds the No. 2 spot as an in-store sales and profit producer. Dairy contributes 10.92% of store sales and 11% of gross profit dollars on a 24% average gross margin.

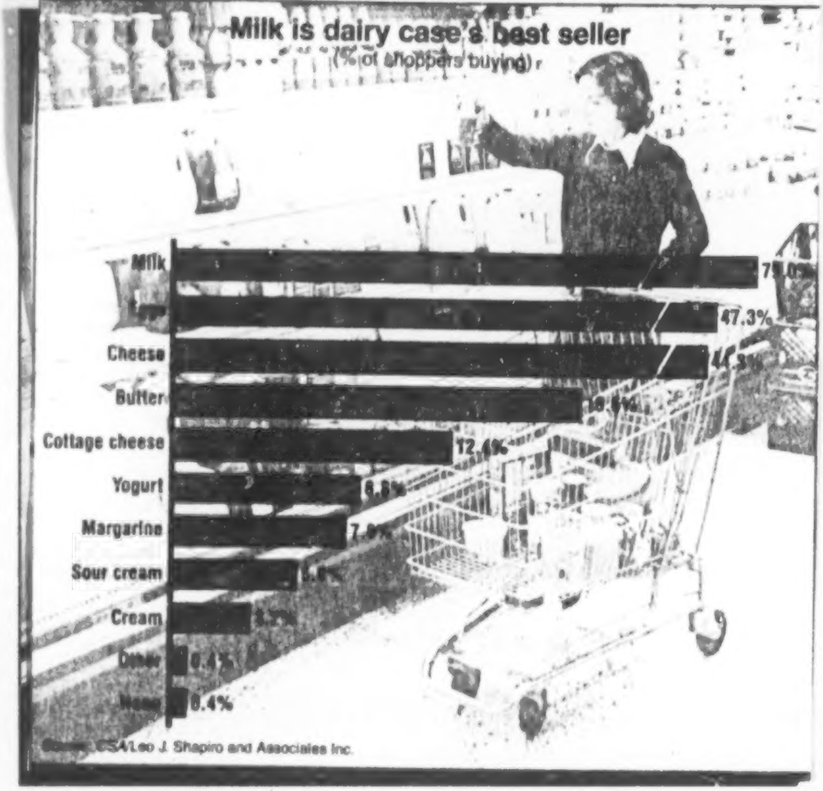
Indeed, dairy was rated by 14.8% of consumers as the most important department in deciding where to shop. Dairy lagged far behind meat's 36.5% ranking and produce's 23.2%, but breezed by all other departments whose ratings ranged from 1% to 6.6%.

Another 18% of shoppers surveyed picked dairy as the next most important department in deciding which store to visit. In comparison, meat was picked by 14.4% and produce by 31.7%. Only 3.2% called dairy the least important department in choosing a store.

More encouraging news for retailers is the fact that nearly 7 shoppers in 10 make more than half their dairy purchases in supermarkets. Roughly 1 shopper in 2 claims to buy 80% or more of his or her dairy items at grocery outlets.

Split personality: An interesting twist to the dairy case: Foods claiming health advantages—particularly yogurt, cottage cheese and skim milk—are often met with a Jekyll-Hyde consumer response. People know they should be eating them to take advantage of high nutritional values, but often don't make the purchases because they doubt family members would enjoy the products.

Shoppers line up on both sides of the dairy case when discussing the nutritional values of its foods. Many love milk for its vitamins and minerals, but dislike its fat content. Many tout the nutritional completeness of eggs, but dislike their cholesterol levels. The list goes on; shoppers are confused about what's good to eat.


Milk is dairy case's best seller
(% of shoppers buying)

CSA/Leo J. Shapiro and Associates Inc.

By displaying nutritional flyers at the dairy case, perhaps with new product samplings, retailers can overcome consumer apprehension. They'd also derive additional benefits such as becoming known as the "local expert" on dairy, which would heighten consumer confidence in their products.

Among shoppers surveyed, 15% said they're buying less dairy than a year ago. Of these respondents, 35% cited health reasons, fat and cholesterol content, 36% cited smaller households and 12% cited higher prices.

One shopper in four, however, is buying more dairy than a year ago. Among this group, 59% cite either health-consciousness, larger households or children who are growing older and craving more. ☐

—Al Heller

About this study

CSA's dairy survey, the third in a six-part series, is based on 525 interviews conducted nationally by Leo J. Shapiro and Associates Inc., Chicago.

Future reports will examine consumer buying habits in the general merchandise, produce and meat departments.

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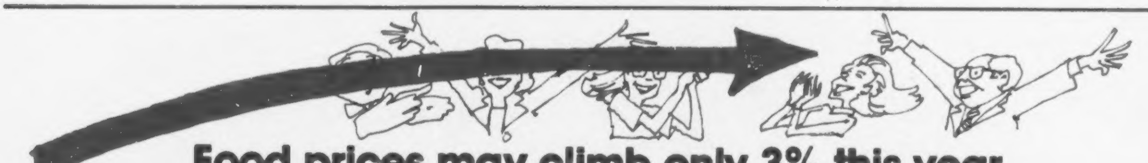
CAPITAL REPORT



Food prices may climb only 3% this year

Retail food prices rose only 3.4% last year, and the 1983 increase could be even smaller according to the latest Agriculture Department long-range economic forecast.

Under U.S.D.A.'s "best case scenario," the cost of "food-at-home" will climb only 3% this year—well under the overall expected rise in consumer prices, and the smallest hike in recent years.

At worst, the Department's new projections indicate that food store price levels could jump as much as 6% over the 1982 average, an increase still considered "reasonable" in comparison to anticipated inflation rates for nonfoods this year.

Behind the favorable U.S.D.A. food price forecast: a continuation of the trend toward small to moderate increases in most food marketing costs throughout 1983.

Last year, for example, preliminary U.S.D.A. figures indicate that overall food marketing expenses rose only 5% vs. an 11% increase during 1981. For the current year the Department is projecting a marketing cost rise of between 4% and 7%.

Labor costs throughout the food manufacturing and distribution chain rose just 7% in 1982, down from 10% the year before, while food retailing experienced an even more moderate 6% rise. This year the Department's prognosis is for a labor cost increase of about the same rate as in 1982, or perhaps even a notch lower.

Trend to moderate increases will continue

(% increase from previous year)

	1981	1982*	1983**
Food marketing costs	11%	5%	4%-7%
Labor	10	7	5-7
Manufacturing	9	7	4-6
Wholesaling	9	8	6-8
Retailing	11	6	5-7
Packaging	8	– 2	2-5
Paperboard and paper products	10	0	2-5
Polyethylene resin	2	–26	3-6
Tin cans	6	5	1-4
Glass containers	12	8	4-7
Fuel and power	19	5	8-12
Electricity	14	11	7-10
Diesel and fuel oil	24	– 4	5-8
Natural gas	14	20	15-25
Coal	6	8	6-9
Rail transportation rates	16	7	3-6

*Preliminary

**Forecast

Source: U.S.D.A. Economic Research Service

Food packaging costs actually declined by an average of 2% in 1982 after a steep 10% rise the year before. For 1983, U.S.D.A. expects these costs to increase some 2%-5%.

Energy costs, in contrast, will account for a greater slice of the total food marketing bill, thanks in large part to an anticipated sharp increase in the cost of natural gas.

Food processors, wholesalers and retailers will pay 15%-25% more for natural gas this year, on top of the 20% price rise registered during 1982.

Diesel and fuel oil prices, which declined last year, will increase by a moderate 5%-8% during 1983, while total fuel and power costs for food marketers will climb by a projected 8%-12%.

On the plus side, rail transportation rates for food products will rise at a more modest clip this year (3%-6%) vs. significantly higher increases during each of the preceding two years.

Supporters of Illinois Brick reform predict victory

House Judiciary Committee Chairman Peter Rodino (D-N.J.) has launched a serious new drive to reverse the Supreme Court's "Illinois Brick" ruling protecting supermarket chains and other businesses from treble damage antitrust awards to indirect victims of price-fixing.

As a result of the court's ruling in Illinois Brick, a number of the nation's top food chains—along with Food Marketing Institute ancestor, the National Association of Food Chains—were abruptly relieved of liability from charges by cattlemen that supermarketers conspired to depress the prices they spent for beef.

Although there have been several recent legislative drives to overturn that decision, each of these attempts has been unsuccessful. This year, however, supporters of Illinois Brick reform are predicting victory in both Houses.

Supers raise roof on meat sales to restaurants

For the first time, supermarkets and other retail food stores will be allowed to sell more than $30,000 worth of beef and other meat products to restaurants and other "nonhousehold" consumers without undergoing Federal inspection.

The old annual $28,800 ceiling on "nonhousehold" meat sales was raised to $30,200 to reflect increases in the Consumer Price Index for these items.

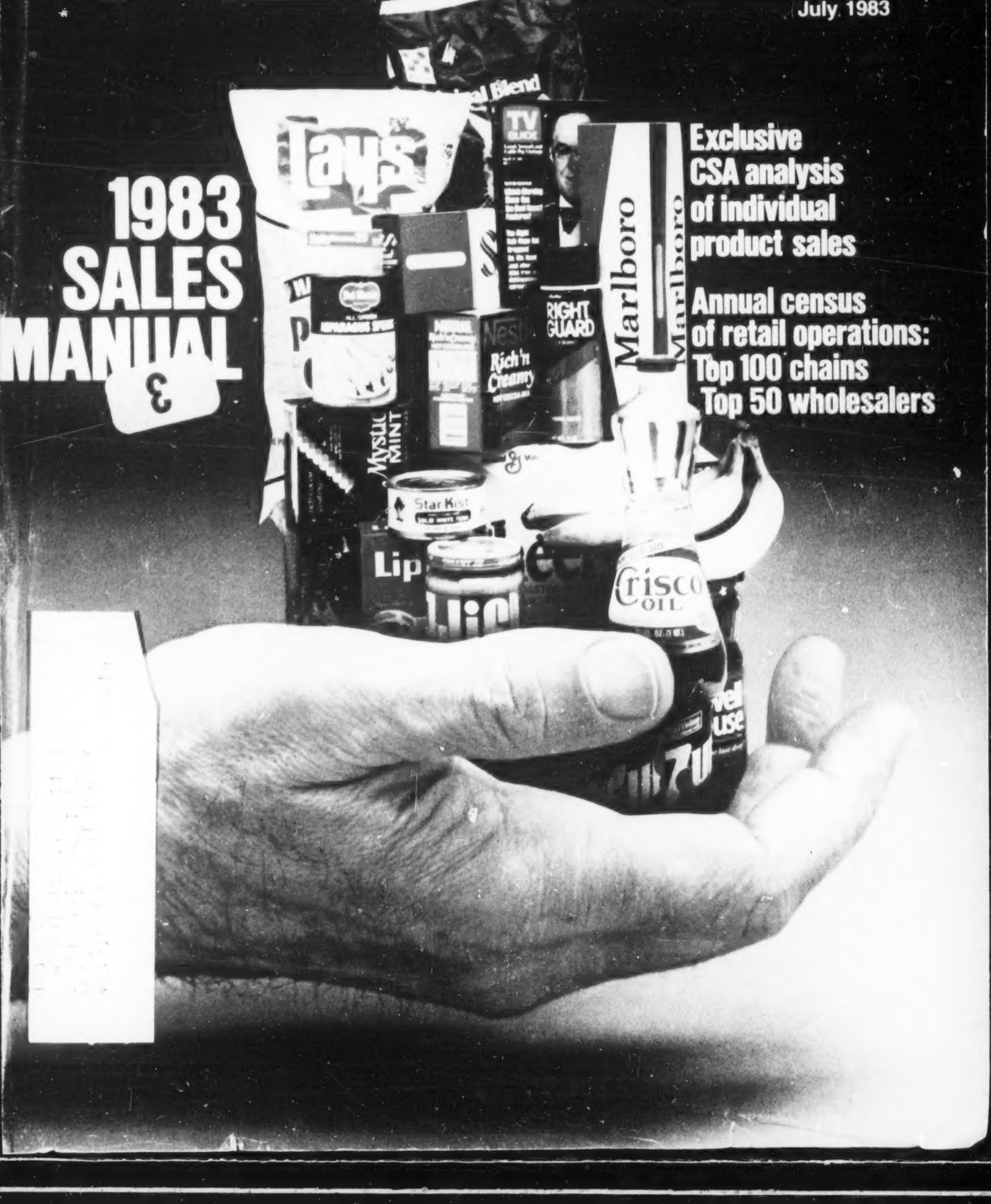
U.S.D.A. proposes fee to reduce dairy subsidies

The Agriculture Department announced plans to discourage overproduction of milk and other dairy products by imposing a new 50¢ per 100-lb. assessment on sales to the government's Commodity Credit Corporation.

Although the proposed new fee is projected to reduce Federal dairy subsidies by some $60 million each month, the assessment is not likely to result in any production cutbacks affecting supplies to supermarkets.

In fact, last year the United States Government purchased one-fourth of all butter, one-third of all cheese and some 75% of all dry milk produced in the United States, according to the latest U.S.D.A. figures.

Chain Store Age
Supermarkets
THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES
July 1983



1983 SALES MANUAL

Exclusive CSA analysis of individual product sales

Annual census of retail operations:
Top 100 chains
Top 50 wholesalers

Chain Store Age
Supermarkets
July 1983

Produce
Produce
Bake

1983 SUPERMARKET SALES MANUAL

Annual Census

In 1982 supermarkets accounted for 16% of all food stores in the country, but they captured 76% of all food store sales. In this annual overview of the industry, *CSA* tracks the growth of supermarket retailing and analyzes the successes and failures of the past year **17**

Category Performance

An analysis of the product performance of 39 product categories—winners and losers in terms of annual dollar sales, gross margin profits and profit dollar contribution—plus an item-by-item analysis of each category—percentage of department sales, percentage of department gross profit, average gross margin and number of items and brands stocked at the average warehouse **33**

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Photos taken at Foodarama ShopRite's newest unit, Freehold, N.J.

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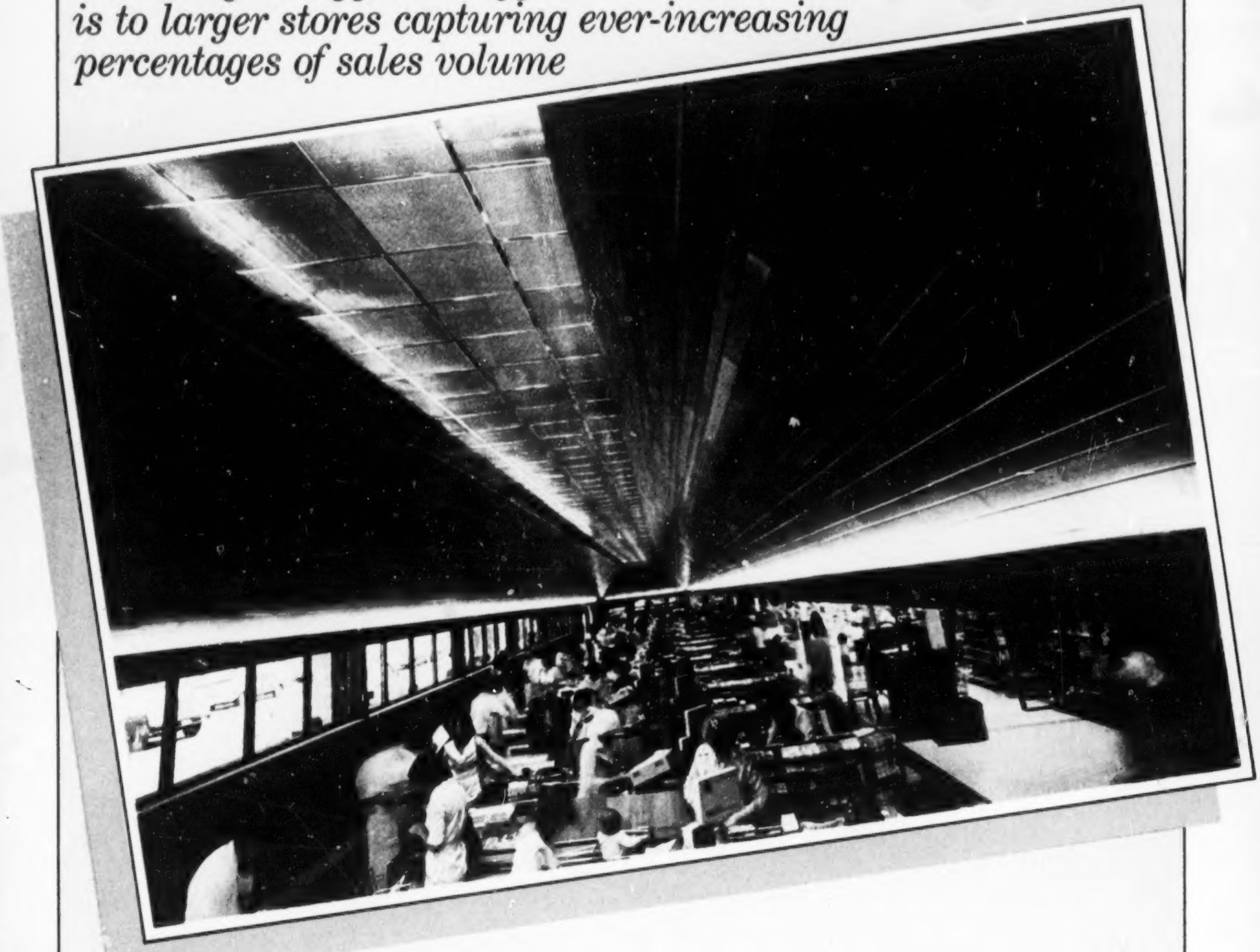
On the track of the superstore

From big to bigger to biggest: the trend is to larger stores capturing ever-increasing percentages of sales volume



The word "super" in supermarket couldn't have been more appropriately chosen. In 1982, supermarkets accounted for only 16% of all food stores in the country, but they captured 76% of all food store sales, up from 73% in 1981.

In terms of physical units, supermarkets comprise only 23% of all grocery stores, but they account for 81% of all sales, up from 78.7% in 1981.

Last year, *CSA* changed its definition of the supermarket to ad-

*Supers' share of grocery store sales**

Years	Total sales all food stores (000,000 omitted)	Sales for all grocery stores (000,000 omitted)	Sales for all supermarkets (000,000 omitted)	Supermarkets' share of grocery store sales	Supermarkets' share of total food sales
1972	$100,718	$ 93,327	$ 45,774	49.0%	45.4%
1977	157,940	147,758	101,250	68.5	64.1
1980	222,687	207,775	157,909	76.0	70.9
1981	241,102	224,952	176,970	78.7	73.4
1982	252,802	236,489	192,549	81.4	76.1

*Numbers are not comparable to last year's manual because they reflect modifications in Retail Census numbers and internal adjustments. All food stores include all stores selling food in the U.S. Grocery stores include all stores except meat and produce markets. Supermarkets include all stores with annual sales of $2 million-plus.

Source: *CSA* Research, Bureau of Retail Census cery store becomes a supermarket), then with 70% inflation, in 1982 a supermarket would need a minimum of 17 employees to produce a $2 million store.

By working with this additional measurement, we were able to match our research with statistics from the Bureau of Retail Census to come up with a new—and we think even better—estimate of the supermarket universe.

Also for the first time, we began tracking sales and unit expansion of hybrid supermarkets such as box and warehouse stores, and although our 1981 and 1982 estimates may be a little conservative due to a limited sample response, we feel we have developed a fairly realistic model of that world as it is evolving. We will continue to track the evolution of superstores, warehouse stores and box stores in manuals to come.

For 1982, our count shows that 33% of all supermarkets, 11,781 superstores averaging more than $5 million per year per store accounted for 61% of sales. The scale simply parallels the proportion that exists between supermarkets and all grocery store sales. In the United States today, a large share of the food dollars is captured by a relatively small portion of stores.

The trend is having its logical culmination in the evolution of the superstore and combination store. In the world of "big," superstores and combination stores far outrank warehouse stores, but future *CSA* manuals will determine if that pattern continues to hold up.

From the way warehouse stores have been evolving into their own peculiar blend of superstore, our guess is that it will not. But that, of course, assumes that the lines between the concepts do not become so blurred that all distinctions fall apart. That, too, is a possibility. ☐

Format diversification within chain stores

	1981			1982		
	Operating companies	No. of stores	% of market	Operating companies	No. of stores	% of market
Superstores (sales of $5 million or more)	179	6,894*	10.0	291	8,742	13.0
Supermarkets (sales of $2 million or more)	2,481	19,073	30.0	2,427	16,737	25.0
Warehouse stores (limited assortment stores with sales of $2-$10 million)	58	383*	0.6	73	531	1.0
Box stores (very limited assortment stores with sales of at least $2 million)	25	132*	0.2	28	299	0.5
Superettes (stores with sales of $1-$1.9 million)	710	2,426	4.0	697	2,212	4.0
Convenience stores	1,244	35,733	55.2	1,475	37,269	56.5
Total	4,697	64,641	100.0	4,991	65,790	100.0

*May be underestimated because of limited sample response.
Source: Chain Store Guides

How superstore sales are distributed

Supermarkets*	Chain stores	Single stores	Total	1982 sales (000,000 omitted)
$2-$3 million	4,512	5,127	9,639	$ 21,180
$3-$4 million	3,644	1,354	4,998	15,504
$4-$5 million	9,198	84	9,282	36,584
$5-$10 million	5,642	1,855	7,497	53,914
Over $10 million	3,313	971	4,284	65,367
Total	26,309	9,391	35,700	$192,549

*Includes warehouse and box stores.
Source: *CSA Research*, Chain Store Guides

Evolution of chain food stores

Year	2-10 store chains	11-25 store chains	26-plus store chains	Total number of companies operating chain food stores	Total number of chain food stores	Total number of chain-owned supermarkets	Total number of single-owned supermarkets	Total number of supermarkets
1973	11,963	4,078	38,870	4,501	50,911	30,062	13,305	43,127
1974	12,305	4,246	35,880	4,650	52,431	30,072	13,119	43,191
1975	12,036	4,628	38,367	5,563	55,031	29,457	12,579	42,036
1976	12,484	4,776	37,882	4,645	55,142	28,745	11,792	40,537
1977	12,678	4,426	41,175	4,478	58,280	28,269	11,113	39,382
1978	11,920	4,728	43,202	4,294	58,850	27,670	11,880	39,559
1979	12,237	5,035	43,993	4,409	61,365	27,488	12,016	39,504
1980	11,817	5,476	47,762	4,576	65,054	27,026	12,436	39,462
1981	11,353	5,210	48,354	4,039	64,917	22,593*	10,702	33,295
1982	11,941	5,480	48,369	4,240	65,790	26,309	9,392	35,700

*Reflects reclassification of supermarkets as all stores with annual sales of $2 million-plus.
Source: Chain Store Guides, Bureau of Retail Census estimates, *CSA Research*, County Business Patterns

'Real' sales and profits up for supermarkets in 1982

A strengthening economy and improved productivity made last year the industry's best since 1977

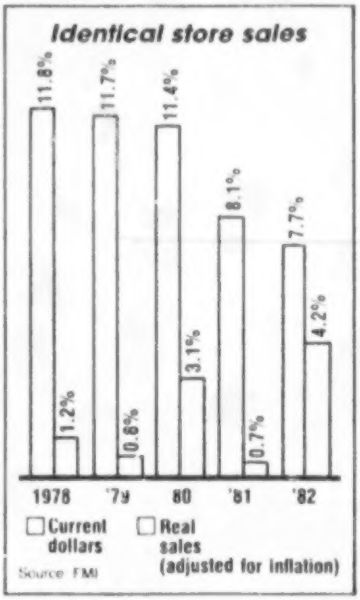
The supermarket industry had a good year in 1982.

Real sales—sales adjusted for inflation—were up 5%, the strongest rise in five years. Identical store sales—sales of existing stores on a comparative year-to-year basis—also registered the highest "real" sales gain in five years, up 4.2% in 1982 compared to 0.7% in 1981.

Profits were also up in 1982. According to the Food Marketing Institute, supermarket companies that did not own their own warehouses experienced a 21.2% rise in profit margins, another five-year high. Companies that operated their own warehouses also experienced a record high: profit margins up 23.4%.

Store-door margins were also up for the industry. According to FMI, margins on products delivered direct to stores increased 19% in 1982, as compared to just an 18.8% increase in 1981.

After several years of declines, net profit margins increased in 1982, a slight 7% rise to 1.5%. Significantly, however, net profit gains for the last half of the year were better than they were for the first. The first and second quarters of 1982 registered gains of 1.3% and 1.5%, respectively. The third and fourth quarters both had gains of 1.6% each.


Identical store sales

Source: FMI

Forbes magazine, in its annual January report, ranked supermarkets 28th in a field of 47 on overall profitability. Return on net worth, the strongest measure of the return on capital invested, showed a 2% increase over 1981, while return on total assets, a measure of capital productivity, hit another five-year high of 10.7.

One of the strongest contributors to productivity, sales per square foot, was up dramatically in 1982, both in current and real dollars. In current dollars, the FMI reports that sales per square foot increased 17% to $7.90, while in real terms they increased 13% to $2.83.

Average weekly sales rose 14% in 1982 to $180,000. Combination stores—those stores usually defined as averaging at least 30,000 sq. ft., generating at least $8 million a year in sales and allocating 40% or more of space to nonfood items—registered the highest average sales in 1982: $300,000 per store.

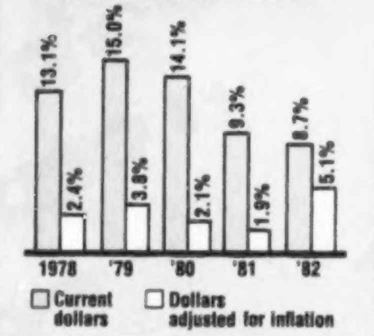
Superstores, defined by FMI as supermarkets averaging at least 30,000 sq. ft., generating $8 million a year in sales, but offering less variety in nonfoods than combination stores, had the second highest ranking: $200,000.

Conventional stores—full-line, self-service stores with sales of $2 million-plus annually—fell well below the industry average with sales of about $130,000 per week.

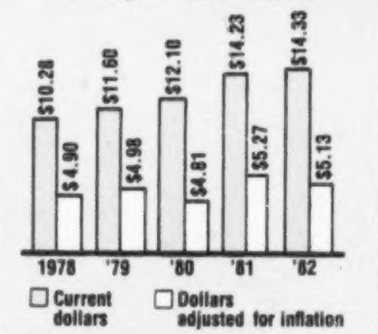
Last year, FMI's research determined that the typical supermarket averaged 29,000 sq. ft. Superstores in 1982 ballooned to 35,000 sq. ft., while the typical combination store hit the tape measure at 46,500 sq. ft.

There were only two sour notes in 1982's financial performance from the supermarket perspective: Total store labor costs as a per cent of sales were up for the fourth year in a row to 10.9%—a 4% increase over 1981—and real sales per labor hour were down 5% to $32.23. ☐

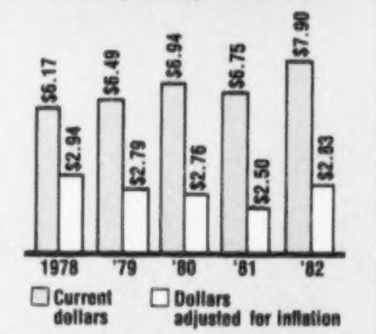
Retail sales increase



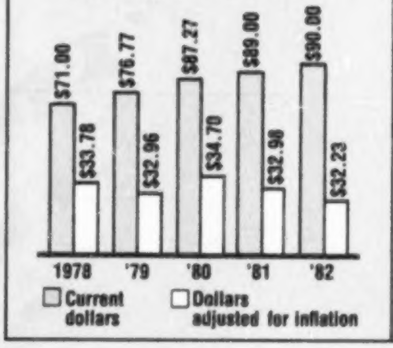
Sales per transaction



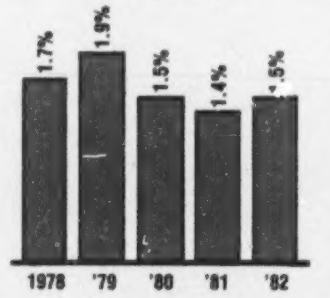
Sales per square foot



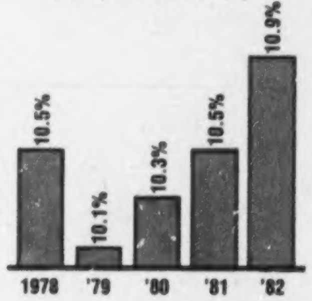
Sales per labor hour



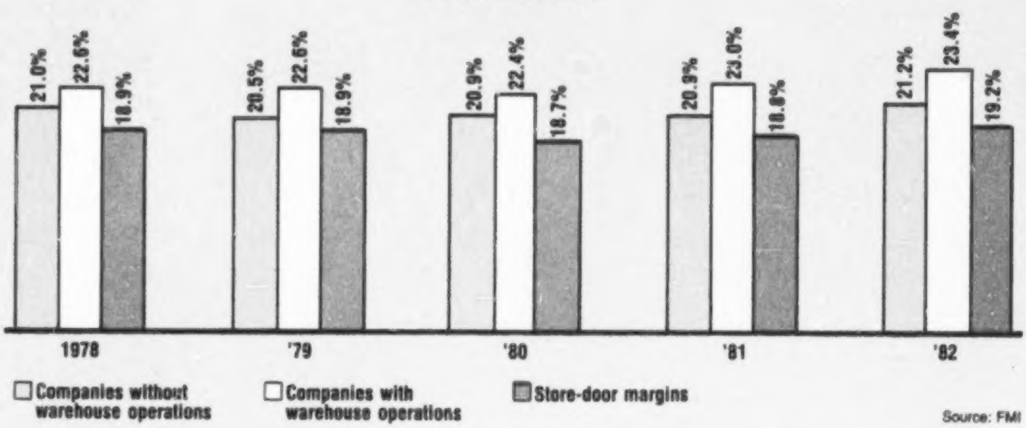
Net profit margin
(before taxes)



Total store labor cost
(as a per cent of sales)



Profit margins



Source: FMI

1983 building trends: bigger stores, better services

Chains are hiking unit construction 90% over last year; superstores and large combos still predominate

Interest rates are down, the economy is chugging along and the nation's major chains are poised for a major expansion in 1983.

CSA Research shows that the top 100 corporate chains plan to open 2,200 new stores in 1983, 90% more than they opened last year and 13% more than they opened in 1981.

As has been the case for the last several years, the majority of new growth will be in large stores with square footage in excess of 30,000 sq. ft.

A whopping 52% of our respondents plan to open superstores in 1983, while another 33% plan to build combination stores. In this study both types of units are defined as stores totaling over 30,000 sq. ft., averaging $5 million a year or more, and allocating generous space to nonfood items. Combo stores differ from superstores in that they generally give at least 40% of overall space to nonfood items.

Some 67% of our respondents said they plan to build bigger stores in 1983; 26% said they plan to build stores the same size as those they built last year; a minuscule 7% said they plan to build smaller stores.

Most of this year's capital dollars are going to the construction of new facilities, while 20% is being set aside for remodeling. Another 20% of the dollars are being used for acquiring new properties, while the last 15% is going toward the acquisition of new leases.

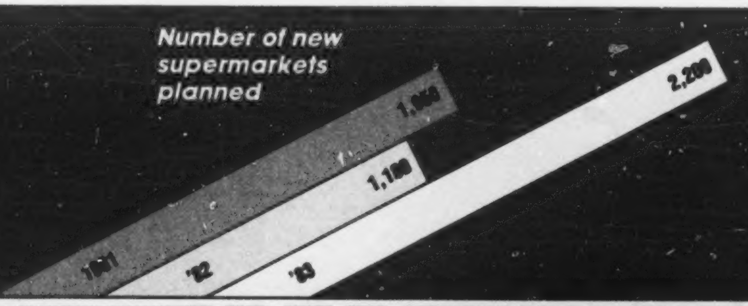
In terms of expansion of service departments, gourmet centers and cheese shops are the two big winners in 1983. Twenty-nine per cent of our respondents—70% more than last year—said they plan to build stores with gourmet centers in 1983, while 52% plan to open cheese shops.

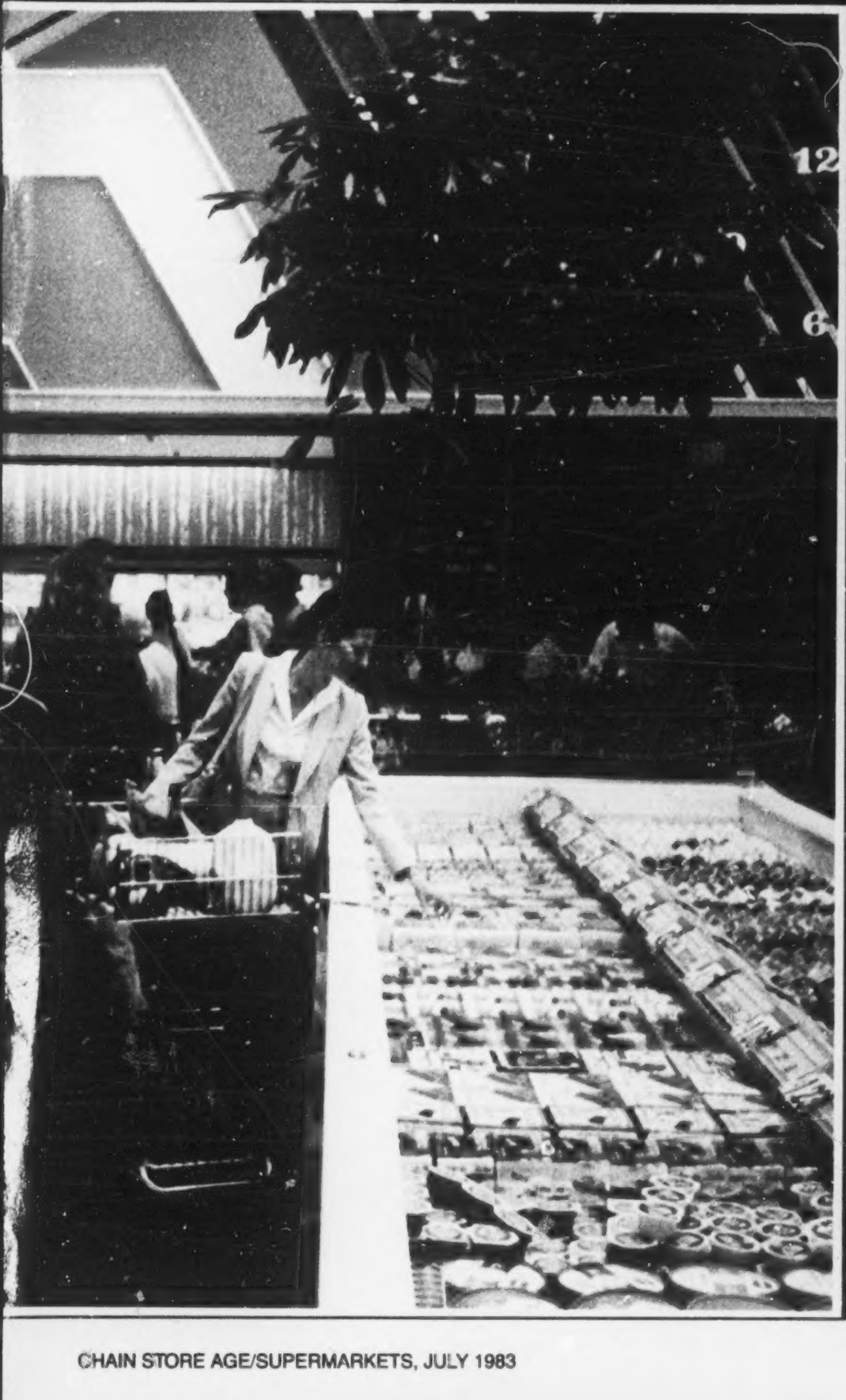
The only four service departments to lose ground in 1983 were jewelry, down 15%; small appliances, down 2%; restaurant, down 35%, and banking centers, down 24%. □

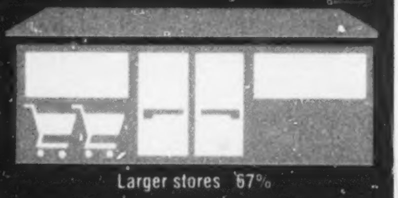
Gourmet centers, cheese shops: space winners in '83
(percentage of respondents planning to add these departments)

Department	1981	1982	% change
Service deli	79	81	2.5
Film/photo	71	78	9.8
Bakery	75	78	4.0
Floral	63	72	14.0
Cosmetics	63	66	4.7
Pharmacy	58	60	3.4
Auto	50	58	16.0
Service seafood	54	54	—
Reading center	50	54	8.0
Cheese shop	38	52	36.8
Small appliances	42	41	− 2.0
Liquor	33	38	15.0
Smoke shop	25	31	24.0
Gourmet	17	29	16.0
Di-it-yourself center	25	29	16.0
Jewelry	33	27	−15.0
Snack bars	17	21	23.5
Financial center	21	16	−23.8
Restaurant	17	11	−35.2
Eye care center	n.a.	5	—
Barber shop	n.a.	5	—
Beauty salon	n.a.	3	—

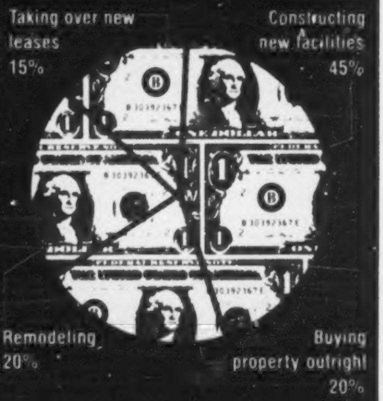
Source: *CSA Research*


Number of new supermarkets planned

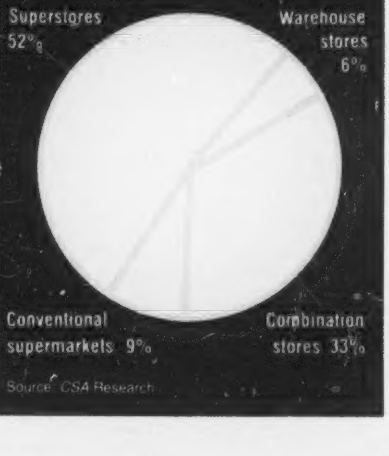



Average size of today's new stores
(% of respondents building)

1983 capital expenditures
(% of allocations for expansion and upgrading)



Expansion profile by format
(% of stores)



Source: CSA Research

Kroger nips at Safeway for top spot

Safeway's grip on No. 1 slot weakens as Kroger acquires Dillon and emerges as premier domestic food retailer

The top 100 chains

Rank	Chain	Stores (1982)	Stores (1981)	1982 sales volume (000 omitted)	Avg. sales per supermarket (in $ millions)
1.	Safeway	2,454	2,477	$17,632,800	7.2
2.	Kroger	1,199	1,258	11,901,982	9.9
3.	American Stores	1,027	1,027	7,507,772	7.3
4.	Winn-Dixie	1,222	1,220	6,764,472[1]	5.5
5.	Jewel	348	483	5,571,721[2]	16.0
6.	Lucky	160	172	5,186,400	32.4
7.	A&P	1,016	1,055	4,607,817	4.5
8.	Albertson's	416	412	3,940,117[1]	9.5
9.	Grand Union	628	729	3,520,000*	5.6
10.	Dillon	219	218	2,823,674	12.9
11.	SGC (Pathmark)	125	117	2,780,000	23.2
12.	Publix	262	252	2,506,852	9.6
13.	Vons	174	166	2,314,632	13.3
14.	Giant Food	131	130	1,852,134	14.1
15.	Waldbaum's	140	108	1,491,363	10.7
16.	H. E. Butt	152	153	1,300,000*	8.5
17.	National Tea	221	230	1,300,000*	5.8
18.	Stop & Shop	120	123	1,298,915	10.8
19.	Ralphs	118	101	1,275,700	10.8
20.	First National	158	168	1,201,258	7.6
21.	Fred Meyer	68	48	1,200,000*	17.6
22.	Cullum	134	135	1,062,081	7.9
23.	Borman's	85	84	1,000,888	11.8
24.	Hy-Vee	140	130	1,000,000	7.1
25.	Food Lion (N.C.)	182	141	947,074	5.2
26.	Pantry Pride	151	143	945,783	6.3
27.	Smith's Management	128	124	848,000*	6.6
28.	Weis Markets	112	110	812,215	7.3
29.	Red Owl	325	82	800,000	2.5
30.	Schnucks	64	58	750,000	11.7
31.	Purity Supreme	42	43	700,000*	16.7
32.	Super Valu	111	104	668,000	6.0
33.	Big Bear	62	61	652,000[2]	10.5
34.	Raley's	41	40	650,000*	15.9
35.	Stater Brothers	92	91	650,000*	7.1
36.	Allied	72	75	609,000	8.5
37.	De Moulas	33	32	600,000*	18.2
38.	Shaw's	41	40	600,000*	14.6
39.	Price Chopper	58	55	600,000*	10.3
40.	Wegman's	35	35	575,000*	16.4
41.	Bruno's	61	60	549,297	9.0
42.	Food Giant	87	89	541,791	6.2
43.	Fisher Foods	47	128	524,328	11.2
44.	Furr's	100	76	518,000*	5.2
45.	Big V	30	30	516,881	17.2
46.	Giant Eagle	99	48	510,000*[3]	5.2
47.	Pueblo Int'l.	44	42	505,912	11.5
48.	Hannaford Bros.	76	99	503,000*[4]	6.6
49.	Thriftimart	42	43	502,963	12.0
50.	Hughes	43	36	500,000*	11.6

Source: *CSA Research* based on company annual reports, S.E.C. 10K Forms and other financial statements. Estimates (indicated by asterisk*) are used in the absence of published data.

The top 100 chains

Rank	Chain	Stores (1982)	Stores (1981)	1982 sales volume (000 omitted)	Avg. sales per supermarket (in $ millions)
51.	**Kohl's**	65	64	500,000*	7.7
52.	**Smitty's**	20	20	496,921	24.9
53.	**Arden Group**	80	91	494,050	6.2
54.	**Nash-Finch**	101	101	493,189	4.6
55.	**Delchamps**	71	66	490,000*	6.9
56.	**Sentry**	48	49	485,715	10.1
57.	**Shopwell**	68	69	477,050	7.0
58.	**Penn Traffic**	62	70	462,425	7.5
59.	**Marsh**	69	67	462,300*	6.7
60.	**Seaway Foodtown**	73	70	455,446	6.2
61.	**Meijers**	37	36	430,000*	11.6
62.	**King Kullen**	56	55	428,127	7.6
63.	**Foodarama**	34	37	426,000	12.5
64.	**Chatham**	46	49	425,000*	9.2
65.	**Schwegmann's**	11	11	400,000*	36.4
66.	**Harris-Teeter**	70	72	399,805	5.7
67.	**A. J. Bayless**	58	58	383,801	6.6
68.	**Ingles**	82	82	378,103	4.6
69.	**Schultz Sav-O**	39	39	362,464	9.3
70.	**The Boys**	44	31	356,976	8.1
71.	**Almac**	40	39	350,000	8.8
72.	**Brookshire**	63	63	350,000*	5.6
73.	**Red Food**	40	38	328,000	8.2
74.	**Victory Markets**	90	92	322,753	3.6
75.	**Mayfair**	33	35	319,462	10.5
76.	**Tradewell**	107	118	313,000*	2.9
77.	**Randall**	35	38	310,000	8.9
78.	**Village**	20	20	303,993	15.2
79.	**Fred W. Albrecht**	27	24	300,000	11.1
80.	**Minyard**	52	51	295,000*	5.7
81.	**Mott's**	24	25	293,888	12.3
82.	**Country Club**	51	51	285,000*	5.6
83.	**Giant (Pa.)**	34	31	279,000	10.3
84.	**Randall's (Houston)**	18	15	279,000	15.5
85.	**Scrivner**	60	33	273,000*	4.6
86.	**Star Supermarkets**	40	40	269,193	6.7
87.	**Farm Fresh**	23	23	264,969	11.5
88.	**Fareway**	42	39	263,000*	6.3
89.	**MelMarkets**	15	16	260,000*	17.3
90.	**Milgram**	42	41	260,000*	6.2
91.	**Inserra**	16	8	260,000*	16.3
92.	**Jitney Jungle**	50	49	250,000*	5.0
93.	**Food-A-Rama**	34	21	240,000*	7.1
94.	**Laneco**	28	25	237,496	8.4
95.	**Consumers Market**	28	30	237,000*	7.6
96.	**Handy Andy**	27	27	218,566	8.1
97.	**Houchens**	55	54	215,000*	3.9
98.	**Food World**	50	36	210,000*	4.2
99.	**Lowe's**	72	72	210,000	2.9
100.	**Save Marts**	32	29	210,000*	6.6

[1] 53-week fiscal year
[2] Total company
[3] Reflects Tamarkin acquisition in December 1981
[4] Hannaford has a majority interest in 23 of these stores.

For years, Kroger has been chasing Safeway, threatening to nip off a tail here, a leg there, in the continuing scramble for industry dominance.

In January 1983, because of negotiations begun in the fall of 1982, Kroger opened its massive jaws, swallowed up the very successful, very profitable 219-unit Kansas-based Dillon chain of superstores and quietly loped past Safeway as the nation's No. 1 food retailer.

Safeway, because of its international operations, still outranks Kroger in terms of overall food sales. But domestically, Kroger, with its approximately 1,500 units generating average store sales of $10 million-plus, is king.

At the close of 1982, Kroger had 1,199 stores and was enjoying nearly $12 billion a year in sales.

In 1983, with the addition of Dillon, Kroger will record some $15 billion in domestic sales.

Safeway had total sales of $17.6 billion in 1982, but domestic sales amounted to only $13.2 billion.

Domestically, too, Safeway had 20 more stores than Kroger. But Safeway's 1,919 domestic stores were generating only an average $6.8 million per store in '82 while Kroger was averaging $9.9 million.

In other parts of our Top 100 universe, Winn-Dixie and Jewel pulled ahead of Lucky and A&P in '82 to win rankings as the nation's fourth and fifth largest retailers. American Stores stayed in third place, but Lucky dropped from fourth to sixth. A&P dropped from fifth place to seventh. Albertson's moved up one rank to eighth place, and Grand Union slipped back one rank to ninth. ☐

Wholesalers struggle with economy

Recession and productivity declines made 1982 a rough year; diversification and trend to add-on services brightens outlook

The wholesale industry in 1982 didn't have as bright a year as its retail counterpart. According to FMI's research, sales for wholesalers increased 6% in 1982, but real sales—sales increases adjusted for inflation—showed a decline of approximately 2.5%. Last year was also the second consecutive year in which FMI noted a "real decline" in sales for wholesalers.

Retailers, on the other hand, experienced a sales increase of nearly 9% in 1982 and real sales of more than 5%.

Part of the poorer showing can be attributed to the recession, which has probably hit conventional store operators and independent operators the hardest.

Many wholesalers have seen their prime accounts, particularly in depressed markets like the Midwest and Northeast, lose market share to more price/value-oriented retailers like warehouse and chain store operators.

Lower volumes have also resulted in declines in productivity, and a corresponding emphasis on providing add-on retail services.

In fact, if 1982 produced one dominant trend in wholesaling; it was probably the new and stronger marketing emphasis on service.

According to FMI, more than 90% of all wholesalers today offer the following services: individual retail pricing, stocking private labels and advertising support. More than 80% provide product movement data and equipment procurement. And more than 70% offer gross margin reports by item, as well as retail accounting and payroll services.

This, and the trend to consolidating (opening bigger and more centralized warehouses), costs money in the short term, but of course promises greater paybacks in the long run.

Wholesalers were also more receptive to the idea of diversification, particularly toward the warehouse store format. Currently a number of wholesalers are either testing or planning to test a number of warehouse variations modeled after Super Valu's highly successful Cub stores.

Malone & Hyde, for instance, now has several variations of a basic warehouse concept, Fleming is expanding Food 4 Less, while Wetterau is trying to find more sites for Shop 'N Save.

A number of wholesalers are also setting up special divisions to handle such specialized problems as order selections. ☐

Top 50 wholesalers

Company	Type	Total stores served	Supers	Estimated volume (000,000 omitted)
1. Super Valu	Vol.	2,354	1,142	$4,622
2. Fleming	Vol.	3,325	900	3,680[1]
3. Wakefern	Co-op	200	200	2,300
4. Wetterau	Vol.	1,610	1,000	2,265
5. Malone & Hyde	Vol.	2,300	2,300	2,190
6. Certified Grocers of Calif.	Co-op	2,500	2,000	1,762
7. S. M. Flickinger	Vol.	1,137	205	1,337
8. Associated Wholesale Grocers	Co-op	807	557	1,312
9. Farm House Foods	Vol.	2,000	2,000	1,231
10. Super Food Services	Vol.	833	625	1,129
11. West Coast Grocers	Vol.	850	650	1,100
12. Spartan Stores	Co-op	465	465	1,100
13. United Grocers Ltd.	Co-op	2,000	680	946
14. Key Food	Co-op	160	160	800
15. Richfood	Co-op	584	450	771
16. Certified Grocers, Ill.	Co-op	451	451	770
17. Twin County Grocers	Co-op	160	160	767
18. Roundy's	Vol.	280	150	702
19. Associated Grocers, Seattle	Co-op	325	214	674
20. Alfred M. Lewis	Vol.	5,300	800	660
21. Scrivners	Vol.	1,448	1,400	637
22. Associated Grocers, Colo.	Co-op	524	157	635
23. Niagara Frontier Services	Vol.	129	65	633
24. Associated Grocers, Ariz.	Co-op	1,200	600	600
25. Associated Food Stores, Utah	Co-op	725	277	598
26. Springfield Sugar	Vol.	275	211	550
27. United Grocers Inc., Ore.	Co-op	450	320	535
28. Grocers Supply Co.	Vol.	800	400	500
29. Godfrey	Vol.	88	88	486
30. White Rose Food Corp.	Vol.	2,000	750	480
31. B. Green Co.	Vol.	200	198	425
32. Peter J. Schmitt	Vol.	260	125	390
33. Frankford-Quaker	Vol.	400	100	350
34. Merchants Distributors	Vol.	600	200	340
35. URM Stores	Co-op	295	65	305
36. Gateway Foods	Vol.	750	500	300
37. Creasey Co.	Vol.	1,200	300	300
38. American Seaway	Vol.	450	240	300
39. Krasdale Foods	Vol.	1,700	1,200	275
40. Certified Grocers of Florida	Co-op	1,583	185	273
41. Roger Williams	Vol.	300	50	270
42. Central Grocers Co-op	Co-op	230	63	260
43. Affiliated Foods, Amarillo	Co-op	457	100	247
44. United A.G.	Co-op	250	38	238
45. Cressy Dockham Co.	Co-op	235	235	225
46. Louis Lehrman & Son	Vol.	200	95	225
47. Allied Grocers Co-op	Co-op	315	110	220
48. Affiliated Foods, Broussard, La.	Co-op	176	130	200
49. Fairway Foods	Vol.	266	106	197
50. C&S Wholesale Grocers	Vol.	165	100	186

[1] includes acquisition of American Strevell.

Source: Chain Store Guides, *CSA* Research

Comparison of supermarket sales by product category

Product Category	% of 1982 Average Gross Margins	% of 1982 Total Supermarket Sales	% of 1982 Gross Profit $	1982 Supermarket Sales ($ Millions)	1981 Supermarket Sales* ($ Millions)	% Diff.
Canned Vegetables	20.4	1.39	1.16	$ 2,676.43	$ 2,527.16	5.91
Canned Fruit	21.8	0.61	0.56	1,180.34	1,095.46	7.75
Canned Juice	19.9	1.20	1.00	2,306.38	2,164.34	6.56
Canned Meat/Specialties	23.0	0.58	0.54	1,116.80	1,247.66	−10.48
Canned & Dry Soup	21.7	0.70	0.64	1,347.82	1,302.36	3.49
Canned Fish	17.6	0.94	0.68	1,803.19	1,936.05	− 6.85
Canned & Dry Milk	14.1	0.21	0.11	396.64	369.87	7.24
Breakfast Foods	19.7	1.79	1.45	3,444.70	3,129.98	10.06
Pasta Products	24.0	0.52	0.52	999.30	883.10	13.16
Dried Vegetables	24.4	0.34	0.34	662.37	630.03	5.13
Dried Fruit	26.4	0.18	0.20	348.51	302.63	15.16
Frozen Foods	30.4	6.56	8.22	12,627.37	10,843.40	16.45
Dairy Products	23.4	11.15	10.74	21,469.20	19,653.64	9.24
Soft Drinks & Mixes	28.2**	3.82	4.42	7,351.52	6,702.62	9.68
Coffee	11.4	1.70	0.81	3,272.41	3,030.92	7.97
Beer	26.2	2.80	3.02	5,393.40	4,919.67	9.63
Wine	41.1	0.25	0.42	479.34	461.79	3.80
Tea	23.1	0.33	0.31	627.70	629.78	− 0.32
Bakery Foods	20.4	3.48	2.92	6,700.71	5,790.46	15.72
Cookies/Crackers	24.1	2.01	1.99	3,871.49	3,528.59	9.72
Snacks	29.2	1.24	1.49	2,390.64	2,154.90	10.94
Sugar	12.6	0.34	0.18	658.51	866.76	−24.02
Premixes & Baking Needs	22.2	0.92	0.86	1,771.43	1,686.01	5.07
Oils & Shortenings	17.5	0.46	0.34	893.42	932.43	− 4.17
Spices	34.5	0.45	0.63	878.40	821.02	6.99
Flour	16.2	0.30	0.20	581.50	532.18	9.27
Pickles/Olives/Relishes	27.4	0.44	0.49	846.97	835.59	1.36
Dressings	18.6	0.59	0.45	1,134.11	1,235.62	− 8.21
Sauces	22.8	0.90	0.84	1,738.73	1,632.53	6.51
Desserts & Toppings	23.0	0.28	0.25	541.09	575.05	− 5.90
Spreads	22.7	0.56	0.54	1,084.04	1,055.12	2.74
Syrups	22.4	0.21	0.19	394.72	374.39	5.43
Pet Products	22.3	2.18	2.00	4,195.64	4,095.55	2.44
Candy & Gum	31.9	1.26	1.65	2,419.02	2,399.01	0.83
Baby Foods	11.2	0.56	0.25	1,073.15	945.61	13.49
Nuts	28.5	0.41	0.48	783.67	690.54	13.49
Diet/Lo-Cal/Health Foods	25.6	0.31	0.31	604.61	603.67	0.16
Tobacco Products	14.5	4.01	2.40	7,725.07	7,189.19	7.45
Health & Beauty Aids	27.7	5.29	5.98	10,179.25	8,973.49	13.44
Paper/Film/Foil	20.8	2.81	2.40	5,408.70	4,944.50	9.39
Soaps & Detergents	18.0	1.80	1.31	3,462.02	3,371.68	2.68
Housewares	35.8	2.01	2.97	3,870.06	3,644.09	6.20
Laundry & Ironing Aids	20.4	0.49	0.41	941.55	940.10	0.15
Cleansers	24.8	0.71	0.73	1,370.93	1,214.50	12.88
Books & Magazines	37.8	0.72	1.12	1,392.13	1,247.34	11.61
Greeting Cards, Stationery/School Supplies	46.5	0.26	0.50	502.56	433.07	16.05
Soft Goods	38.0	0.42	0.65	802.98	814.39	− 1.39
Waxes & Polishes	30.4	0.14	0.16	277.28	279.70	− 0.86
Cleaning Implements	35.8	0.20	0.29	375.47	341.93	9.81
Misc. Household Supplies	30.6	0.22	0.27	415.91	362.09	14.86
Produce	32.5	8.00	10.69	15,403.92	13,932.77	10.56
Meats	20.6	17.32	14.67	33,348.82	30,149.59	10.61
Delicatessen	27.0	3.43	3.80	6,604.43	6,149.10	7.40
Unclassified	44.6	0.20	0.37	393.02	377.71	4.05
Total	24.3***	100.00	100.00	$192,549.00	$176,970.00	8.80

*Adjusted to conform to latest Bureau of Census figures.

**Gross margin reflects everyday prices; does not reflect in-store promotions.

***Total margin reflects warehouse bill-out margins; does not take into consideration store markdowns or in-store promotions.

Fifteen product categories—breakfast foods, pasta, dried fruits, frozens, bakery, snacks, baby foods, nuts, H&BA, cleansers, periodicals, stationery, misc. household supplies, meat and produce—experienced double-digit growth in 1982. Their success was partly predicated on variables the industry could control—new products, line extensions, promotions—and partly due to external elements such as growing consumer sensitivity to "natural" foods. Only sugar and canned meat suffered dramatic declines.

Formula provides fuel for healthy growth

With mothers waiting longer to introduce baby foods into their children's diets, formula is selling better than ever this year

Overall, dollar volume in baby foods grew a solid 13%, last year. But exclude formula, which accounts for nearly half of baby food sales, and dollar sales only increased 5%. Case sales increased 2.5%.

On the positive side, the number of births in the United States continues to grow—the 1982 estimate is 3.69 million, up from 3.65 million in '81 and much better than the 3.14 million in '73. Forecasters continue to predict further growth.

However, over the last few years doctors have been encouraging mothers to delay the introduction of solid foods to baby's diet, and instead to keep them on breast milk or formula longer, cutting down the length of time the infant eats baby food. And this remains the major problem in the baby food industry.

Baby foods' troubles however, are formula's fortunes. Even though doctors prefer breast feeding over formula, the formula industry is gaining rather than losing sales; dollar sales were up over 20%. The fastest-growing segment is powdered formula, with a 15% tonnage increase in 1982.

The hypo-allergenic segment is also seeing healthy turns. Hypo-allergenic formula, which accounts for 20%-25% of the market, is currently experiencing double-digit tonnage growth. Now that doctors have become more aware of these products, they are recommending them at the first sign of feeding stress.

Also selling well is a product new to food stores, a specialty formula for infants with diarrhea. The manufacturer, Ross Laboratories, says that infants experience diarrhea on the average of four times a year, and since they often manifest the problem at odd or late hours, stores with longer hours usually move more product.

Supermarkets now account for about 80% of all formula sold. Barbara Barrie of Mead Johnson says supermarkets are more likely to sell by the case, while nonfood retailers are more likely to sell specialty formulas.

Although nonfood retailers are not yet a major factor in baby food sales, Beech-Nut's sales through discount chains, drug chains and other mass merchandisers increased 2½ times in 1982. Yet a company spokesman says it's too early to tell if nonfood retailers will soon become a major outlet for baby food sales.

To try to offset the current trend to delay the addition of baby food to infants' diets, manufacturers are using a number of strategies to bolster sales. First, they're positioning the products as a food for older babies. Gerber's Chunky Foods, which achieved national distribution this year, is aimed at children between the ages of 1 and 4; Heinz, with a 14½% market share, is testing large-size 8-oz. juices in the South-

HIGH PROTEIN
BARLEY

Baby Foods: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Dinners, Hi-Protein	**1.57**	**$ 16.84**	**$ 16.20**	**3.95**	**1.88**	**$ 2.26**	**4**	**13.4**
Strained	0.58	6.22	5.86	6.14	0.54	0.65	2	10.4
Junior	0.99	10.62	10.34	2.71	1.34	1.61	2	15.2
Cereal Combinations	**1.71**	**18.35**	**17.45**	**5.16**	**1.22**	**1.47**	**7**	**8.0**
Strained	1.14	12.23	11.81	3.56	0.72	0.87	4	7.1
Junior	0.57	6.12	5.64	8.51	0.50	0.60	3	9.8
Dinners, Regular	**6.06**	**65.03**	**62.42**	**4.18**	**5.02**	**6.04**	**29**	**9.3**
Strained	3.22	34.55	32.39	6.67	2.59	3.11	16	9.0
Junior	2.84	30.48	30.03	1.50	2.43	2.93	13	9.6
Meats	**7.39**	**79.30**	**77.76**	**1.98**	**9.41**	**11.32**	**14**	**14.3**
Strained	3.79	40.66	42.36	− 4.00	5.17	6.22	7	15.3
Junior	3.60	38.64	35.40	9.15	4.24	5.10	7	13.2
Desserts	**8.28**	**88.85**	**87.84**	**1.15**	**8.96**	**10.78**	**22**	**12.1**
Strained	5.09	54.62	48.12	13.51	6.63	7.98	14	14.6
Junior	3.19	34.23	39.72	−13.81	2.33	2.81	8	8.2
Soups	**0.95**	**10.19**	**11.79**	**−13.56**	**1.29**	**1.56**	**5**	**15.3**
Strained	0.76	8.15	7.85	3.82	1.11	1.34	3	16.4
Junior	0.19	2.04	3.94	−48.21	0.18	0.22	2	10.8
Vegetables	**7.58**	**81.33**	**77.37**	**5.12**	**8.26**	**9.93**	**21**	**12.2**
Strained	6.25	67.06	59.08	13.51	7.08	8.52	15	12.7
Junior	1.33	14.27	18.29	−21.97	1.18	1.41	6	9.9
Fruits	**8.33**	**89.38**	**82.78**	**7.97**	**6.94**	**8.34**	**28**	**9.3**
Strained	5.11	54.83	51.04	7.43	4.47	5.37	18	9.8
Junior	3.22	34.55	31.74	8.85	2.47	2.97	10	8.6
Juices	**7.39**	**79.30**	**69.67**	**13.82**	**9.10**	**10.94**	**20**	**13.8**
Cereal [Dry]	**2.65**	**28.44**	**27.62**	**2.97**	**2.96**	**3.56**	**10**	**12.5**
Biscuits, Cookies, etc.	**0.57**	**6.12**	**5.51**	**11.07**	**0.78**	**0.94**	**3**	**15.3**
Formula	**46.95**	**503.90**	**403.44**	**24.90**	**43.60**	**52.41**	**28**	**10.4**
All Other Baby Foods	**0.57**	**6.12**	**5.76**	**6.25**	**0.58**	**0.70**	**1**	**11.4**
Total	**100.00**	**$1,073.15**	**$945.61**	**13.49**	**100.00**	**$120.24**	**192**	**11.2**

% of total store volume . . . 0.56%

*Adjusted to reflect the latest update of Bureau of Census figures.

east, and Gerber and Beech-Nut are already producing larger-size juices for older babies.

In an effort to broaden its market, Gerber, which holds a 70% market share, is making available a recipe book that contains 82 recipes for adults using Gerber products.

Beech-Nut, holding a 15½% share, is stressing nutrition. Like Gerber, Beech-Nut operates a hotline for mothers with questions about baby food products and nutrition. And the company continues its "nutrition that tastes good" campaign. Expanding on the theme, new print ads feature the brand as "the baby food that even adults like."

All manufacturers are now emphasizing the convenience of baby foods. Gerber points out that its Chunky Foods are good for whenever the family travels, when babysitters feed the baby or when family meals are not suitable for the child. Beech-Nut notes that there are more working women, and convenience may be important to them.

But this is also a category in which medical opinion takes precedence over convenience, so to persuade shoppers that it is all right to buy prepared baby foods, manufacturers are striving to convince consumers that the commercial product is every bit as good as homemade.

Brand preference varies with geographic region. Beech-Nut is strong in the Northeast. The Pittsburgh, Columbus, Cleveland area is Heinz's stronghold, and the Midwest is shared by Gerber and Beech-Nut.

Overall, cereals, juices and fruits are the most popular products, according to Gerber's John Whitlock. The weakest performer is vegetable and meat combinations. But performance of a product, like brand preference, differs by region. More fruit is sold in the West and South, and more juices move in the West.

New products have been few and far between. Aside from Chunky Foods and Heinz's 8-oz. juices, all other introductions have been new flavors. Beech-Nut has added apple-grape and island fruit to its Fruit Supreme line, and Gerber has expanded its juice line with apple-pear and old-fashioned apple. These new flavors helped spur the 13% rise in juice sales. Gerber also has multi-packs of juice available in some areas. Beginner Flakes, which Gerber had in test markets last year, has been discontinued. ☐

Bakery Foods: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Bakery Foods	100.00	$6,700.71	$5,790.46	15.72	100.00	$1,366.95	0	20.4
Total	100.00	$6,700.71	$5,790.46	15.72	100.00	$1,366.95	0	20.4

% of total store volume . . . 3.48%

*Adjusted to reflect the latest update of Bureau of Census figures.

Profits and consumer demand make in-store bakeries hot

Commercial bread and cakes fall flat, but bakers look to new products like croissants and bagels to keep sales booming

The smell of success for in-store bakeries was sweet in 1982—as sweet as the aroma of fresh-baked loaves pulled piping hot from the oven. However, flat sales of commercial bakery products, particularly white bread and snack cakes, created about as much excitement as day-old bargain-table bread.

Supermarket sales of bakery foods climbed a healthy 15.7% last year to $6.7 billion. The highest profit contributions, moreover, came from in-store bakeries, now in place in approximately 13,000 supermarkets.

Bake off bakeries, which account for over half of all in-store bakeries, are booming as frozen dough product suppliers continue to ride a wave of spiraling profits. Buffalo-based Rich Products had its best year yet, while Hazelwood, Mo.-based Wetterau posted a 30% sales increase to mark its eighth straight profitable year.

Rich's doughnut sales alone soared 90% to $11 million. Peter Konn, divisional vice president, credits the country's biggest frozen dough supplier's "Donut Shoppe" as the spark that ignited growth.

"The Donut Shoppe," with a new preparation process, overcomes the major problems confronting in-store bakeries that try to fry donuts: the high cost of special hooding and venting systems, which Federal and state regulations require for frying off doughnuts, and the unpleasant odor and added taste from rancid oil.

"The Donut Shoppe" overcame these obstacles by developing "further finished" doughnuts in 15 varieties. The frozen doughnuts are sold to retailers fully fried, but not glazed; heating the doughnuts in a convection oven raises their surface temperature to 100 degrees F., the point at which glazes and toppings adhere, while the inside of the doughnut is properly thawed.

"It's our No. 1 seller," says Konn.

Wetterau also has expanded its doughnut line, now at 25 with the addition of orange and apple spice cake. But Wetterau is also hoping to exploit two specialty areas unique to the frozen-dough supplier.

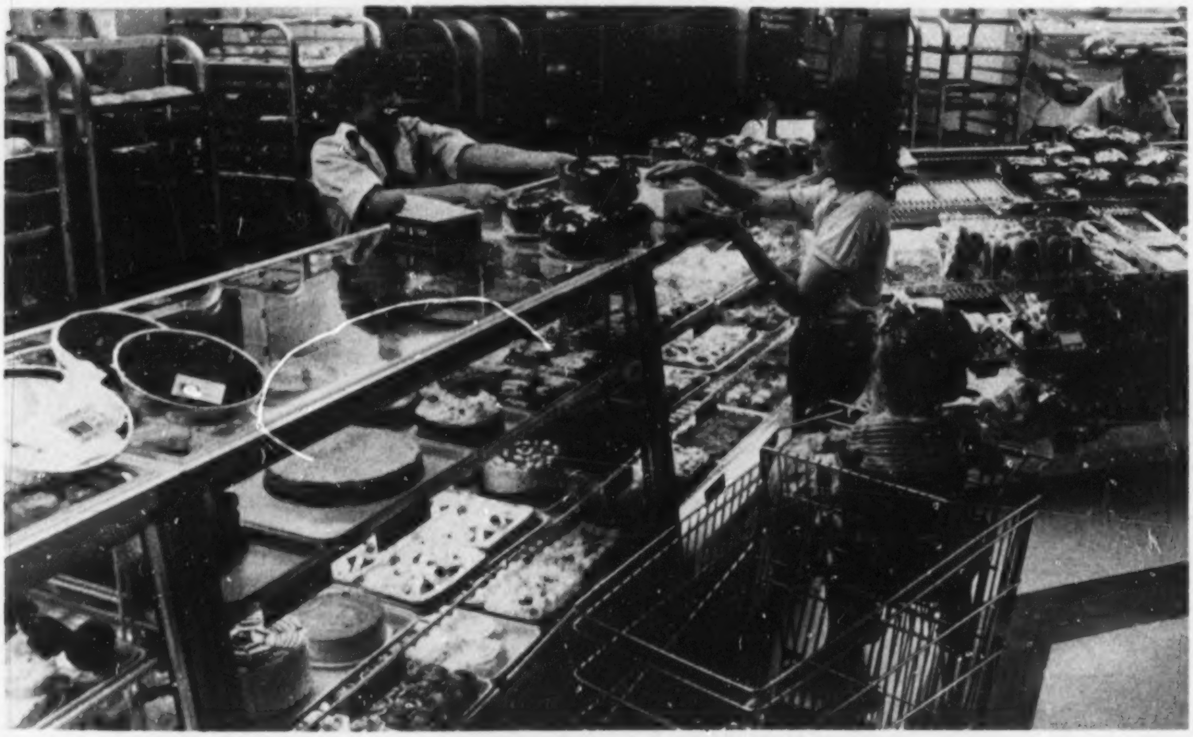
The official licensee of "E.T.—The Extra-Terrestrial," Wetterau is rolling out half-sheets, quarter-sheets and tortes featuring the spunky space creature. At the same time, in the Southwest and Los Angeles, Wetterau has launched a Mexican pastry line of three basic doughs and eight precut cookies. A training manual in Spanish and English instructs in-store bakery personnel on preparation of the Mexican-style dough.

Wetterau has 10 other new products this year, including a honey grain and a French wheat bread, and croissants in test. Wetterau's bakery division president Will Bellar says the unbaked yeast-leavened product has not yet attained the 12-week shelf life he wants for his products, but he anticipates success.

Country Home Bakers' president James Borck, whose Atlanta-based company is also testing croissants, agrees that the category's a winner. "It's going to be the hottest new item this year," he predicts.

Country Home chooses to focus on the growing interest in nutrition in the introduction of its new products. Its four new breads are extra-hearty versions of natural honey grain, rye/pumpernickel, pumpernickel and cracked wheat.

Country Home is also producing finished products, such as its "Clas-



sic European" cakes, in small portions to appeal to weight-conscious consumers.

Meanwhile, West Haven, Conn.-based Lender's, which brought the frozen bagel nationwide to supermarkets six years ago, hopes to revolutionize the bagel business again in 1983. Lender's newly created "Bake 'n' Sell" line gives in-store bakeries a chance to sell fresh, hot bagels.

Lender's is helping retailers promote the introduction of the product with oversized signs that hang from ceilings and mobiles within the bakeries themselves. The world's largest bagel producer (capacity is expected to top 2.25 million per day) is also training in-store bakers to prepare the new product. Available in nine flavors, the frozen-dough fresh bagels offer 45%-50% margins.

Commercially baked products: In-store bakeries seem to thrive at the expense of commercially baked fresh breads. Most commercial bakers noted flat sales in 1982 in their biggest item, white bread, which has leveled off after a 10-year slide that dropped annual per capita consumption 42% to 25.8 lb. Variety breads, however, led by whole wheat products, filled some of the void.

Interstate Brands has extended its Dutch Hearth variety bread line with its "wide-pan configuration" loaf. Butter-top and sesame seed varieties also have been added, while some duplicated wheat breads have been phased out.

"Variety is still growing, although not as fast as in the past," Miller says, "but white bread keeps declining."

Interstate's wheat varieties have grown fastest, with 16%-35% sales surges depending on regional differences. Southern California and Michigan are the hottest sales spots.

The nation's biggest commercial baker, Rye, N.Y.-based ITT Continental, also experienced greater growth in variety breads than white. New introductions reflect the trend: Wonder 100% whole wheat has been launched in the Midwest, Wonder Family Wheat is in a national roll-out, Wonder Family Italian is in test in New England and a midwestern expansion of Beefsteak "hearty" and "soft" rye and Homepride 7-Grain are being expanded in the Midwest.

More "esoteric" variety breads have fallen by the wayside, however. For example, Interstate's Jalapẽno bread failed to catch fire in its southern California test market earlier this year.

Norwalk, Conn.-based Pepperidge Farm experienced setbacks, too. Price promotion failed to stem soft sales caused by continuing unemployment, says new product marketing manager Pat Callahan.

Historically an aggressive variety bread leader, Pepperidge Farm limited its line extensions last year to wheat, white, honey bran and oatmeal bread; it also added a 1½-lb. loaf to its pound loaf and frankfurter rolls were expanded into Midwest markets.

But the baker's "shining star" in '83 promises to be fresh croissants, according to Callahan. The fresh croissant new items, in six varieties, are being positioned against Sara Lee frozen croissants. Roll-out began this month in New England after nine months of testing. Couponing and spot television will launch the product in its first major market, Boston.

Snack cakes: Despite soft sales in the snack cake category, Continental is still launching an apple Danish cake, now in a five-state Midwest test, and a honeywheat doughnut.

Interstate Brands also is not shying away from the cake field, which Miller categorizes as "flat, very mature." Signaling a new trend toward snacks that appeal to adults, Dolly Madison brought out a honey and spice cake in March that has already begun to challenge Zingers as Interstate's best seller. □

Flour flat, oil dips, sugar crashes

Big three decline 8.5%, pulling down the whole category; bright spots include ready-to-spread icings, muffin mixes

The major three components of baking needs—oil/shortening, flour and sugar—slipped about 8.5% in sales last year, pulling the entire category down almost 2.8%.

There were some bright spots, however, like ready-to-serve cake frostings, which zoomed 32.1% in sales, and muffin mixes, which soared 30.3%. But their small triumphs were overshadowed by the three volume leaders, which account for over half of all category sales.

Flour managed to stay a step ahead of inflation with a 9.3% increase in sales to $581.5 million, but sugar plummeted 24% to $658.5 million, and oil/shortening declined 4.2% to $893.4 million. The entire category barely topped $3.9 billion in supermarkets.

The most excitement among the big three comes from the intensely competitive oil/shortening producers. Market leader Procter & Gamble began its national roll-out of "butter-flavored" Crisco shortening in May after a two-year test in Arizona.

Formulated with soybean oil, palm oil and artificial "buttery" flavoring, the Crisco line extension competes directly against butter and margarine as a baking ingredient. P&G predicts the new line will create incremental sales for shortening in '83. Available in 1-lb. and 3-lb. cans, the shortening doesn't scorch and costs less than most margarines, says P&G. Some $21 million has been earmarked for advertising of the entire Crisco line this year.

Meanwhile, Mazola is spending less than half as much—$10 million—but one of its campaigns is so controversial that TV networks have refused to air the commercials, according to *Marketing and Media Decisions*. The main objection centers on Mazola's bold claim that it can help lower blood pressure.

Mazola, whose corn oil is more expensive than the vegetable oil blends of Crisco (23% share) and Wesson (21% share), cut prices 5%-6% in April to hold its 15% share.

Flour: General Mills (33% of the market) and Pillsbury (17%) dominate flour sales and trends. Total flour sales dropped "slightly" at General Mills, partly because many consumers surprisingly defected from whole wheat and unbleached all-purpose flours in 1982. "Despite an apparent consumer interest in whole wheat, sales were down more than for the total category," notes General Mills' Kathy Newton, who attributes whole wheat flour's decline to the product's inherent density. Most consumers are not ready to accept the heavier baked goods that whole wheat flour yields, she says.

Flour sales at Pillsbury also were flat. Per capita flour usage slips at about the same rate as the population grows, according to Pillsbury.

Sugar: Complex economic conditions, including a dip in world raw sugar prices from 15¢ a pound to 7½¢ a pound last year and increased duties on sugar imports, contributed to the roller-coaster sales activity of sugar. Sugar began a downward roll two years ago after peaking at 82% growth in 1981. Dollar volume declines today are accelerating—the 10% dip in 1981 was followed by 24% in 1982.

Amstar's Domino, which is No. 1 in sugar sales, suffered through a 49.2% decline in net sugar sales last year to $1.195 billion. Amstar is trying to rebound with an institutional campaign touting the 80-year-old Domino brand.

Vincent Cala, Amstar national merchandising manager, attributes the sharp decline in refined sugar, particularly granulated, to "more working wives, less baking, more prepared foods."

Sugar tonnage also declined in '82, although not as sharply as dollar volume. Supermarket unit sales sank 9% to 774,000 tons.

Cake frostings: Ready-to-spread cake frostings have come of age with several introductions this year, but box frosting mixes continue to wane in popularity.

Hershey Foods jumped into the market for the first time with its Frostin' line of four flavors. After a year of test-marketing, the manufacturer rolled out its chocolate, milk chocolate, vanilla and peanut butter-flavored cake frostings.

Pillsbury introduced two new flavors in the ready-to-spread category last year that marked a breakthrough in technology. Coconut pecan and coconut almond are the first ready-to-spread frostings made with nuts. Previous attempts to suspend nuts in a RTS frosting failed because the nuts became rancid. Pillsbury's new products, however, have a shelf life of 18 months.

The coconut almond and coconut pecan RTS frostings are Pillsbury's fastest-growing new products, representing 25% of the company's 10-flavor RTS category.

Close on Pillsbury's heels, General Mills introduced a Betty Crocker coconut pecan frosting in ready-to-spread tubs, as well as a chocolate almond fudge frosting mix. The two new frostings are being promoted as partners to two Betty Crocker "supermoist" cake line extensions.

Cake mixes: General Mills has launched two new Stir 'n Frost specialty cake mixes. The new flavors—chocolate chip with chocolate frosting and carrot cake with cream

Baking Needs: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Sugar	**16.86**	**$ 658.51**	**$ 866.76**	**−24.02**	**11.40**	**$ 82.83**	**18**	**12.6**
Granulated	12.87	502.55	707.78	−28.99	7.54	54.78	8	10.9
Confectioners	1.33	51.99	60.07	−13.44	1.29	9.36	3	18.0
Brown	1.92	75.09	74.23	1.16	1.98	14.42	5	19.2
All Other Sugar	0.74	28.88	24.68	17.02	0.59	4.27	2	14.8
Flour	**14.89**	**581.50**	**532.18**	**9.27**	**13.00**	**94.39**	**29**	**16.2**
White	10.16	396.65	359.15	10.44	8.14	59.10	13	14.9
Self-Rising	1.13	44.29	44.14	0.34	0.85	6.20	3	14.0
Cornmeal	1.87	73.17	70.69	3.51	2.15	15.59	6	21.3
All Other Flour	0.99	38.51	33.52	14.89	1.38	10.01	5	26.0
Unbleached	0.74	28.88	24.68	17.02	0.48	3.49	2	12.1
Oil & Shortening	**22.90**	**893.42**	**932.43**	**− 4.17**	**21.53**	**156.42**	**51**	**17.5**
Cooking & Salad Oils	18.91	737.46	764.41	− 3.52	19.08	138.64	46	18.8
Shortening	3.99	155.96	168.02	− 7.17	2.45	17.78	5	11.4
Baking Chocolate	**1.18**	**46.21**	**47.68**	**− 3.07**	**1.60**	**11.65**	**4**	**25.2**
Chips, All Flavors	**5.72**	**223.36**	**212.26**	**5.23**	**7.01**	**50.93**	**12**	**22.8**
Cocoa	**0.74**	**28.88**	**31.75**	**− 9.03**	**0.99**	**7.19**	**4**	**24.9**
Stuffing Mixes, Crumbs, Croutons, etc.	**5.87**	**229.13**	**222.88**	**2.80**	**7.57**	**54.99**	**36**	**24.0**
Coconut, All Types	**0.79**	**30.81**	**37.06**	**−16.85**	**1.15**	**8.38**	**7**	**27.2**
Cake Frosting—Canned	**2.81**	**109.75**	**83.08**	**32.10**	**3.31**	**24.04**	**17**	**21.9**
Cornstarch	**0.35**	**13.48**	**10.52**	**28.14**	**0.43**	**3.14**	**1**	**23.3**
Cake & Cookie Decorations	**0.54**	**21.18**	**24.68**	**−14.17**	**1.08**	**7.84**	**29**	**37.0**
Dry Yeast	**0.99**	**38.51**	**24.68**	**56.04**	**1.58**	**11.48**	**2**	**29.8**
Misc. Baking Needs	**2.17**	**84.72**	**81.31**	**4.19**	**2.80**	**20.33**	**16**	**24.0**
Cake Mixes	**9.21**	**360.05**	**374.59**	**− 3.87**	**9.50**	**69.06**	**61**	**19.2**
Angel Food	0.39	15.40	14.06	9.53	0.50	3.65	2	23.7
Chocolate & Devil's Food	2.37	92.42	100.77	− 8.28	2.35	17.10	16	18.5
Spice, Gingerbread, Applesauce	0.49	19.25	19.37	− 0.61	0.54	3.91	4	20.3
White	0.64	25.03	26.45	− 5.36	0.75	5.43	5	21.7
Yellow, Golden	1.97	77.02	81.31	− 5.27	1.76	12.79	7	16.6
All Other Cake Mixes	3.35	130.93	132.63	− 1.27	3.60	26.19	27	20.0
Other Mixes	**14.98**	**585.35**	**535.52**	**9.30**	**17.05**	**123.81**	**89**	**21.2**
Muffins, Sweet Breads/Rolls	3.30	129.01	99.00	30.31	3.91	28.38	17	22.0
Bread, Biscuits, Cornbread	2.51	98.20	99.00	− 0.80	2.39	17.38	12	17.7
Brownies, Cookies, Bars	4.49	175.22	152.09	15.21	5.21	37.85	20	21.6
Pancakes	1.97	77.02	76.00	1.34	2.42	17.56	14	22.8
Pie Crusts	0.54	21.18	24.68	−14.17	0.63	4.58	5	21.6
Cake Frosting Mix	1.48	57.76	63.61	− 9.19	1.84	13.34	16	23.1
All Other Misc. Mixes	0.69	26.96	21.14	27.53	0.65	4.72	5	17.5
Total	**100.00**	**$3,904.88**	**$4,017.38**	**− 2.79**	**100.00**	**$726.46**	**376**	**18.6**

% of total store volume . . . 2.03%

*Adjusted to reflect the latest update of Bureau of Census figures.

cheese frosting—expand the Stir 'n Frost line to 10 varieties.

Meanwhile, Procter & Gamble has reformulated its Duncan Hines flavors, phasing out its pudding recipe and superseding its Deluxe line with Deluxe II. After the reformulation, Duncan Hines added two new cakes—chocolate chip and apple—to bring its line to 20 varieties. Duncan Hines is the leader in cake mixes with an estimated 35% share.

Pillsbury introduced only one new cake mix since last year, Pillsbury Plus Oats 'n Brown Sugar cake.

Muffins: Although muffins account for only 3.3% of department sales, the subcategory has been booming. After successful test-marketing in Dallas-Fort Worth and Columbus, Ohio, Duncan Hines has been rolling out two new muffin mixes, cinnamon oatmeal and banana nut. Betty Crocker is also out of test and into national distribution with tart cherry and apple cinnamon muffin mixes.

Betty Crocker may also have played midwife to the birth of a new dessert mix category. Rolling out nationally this summer, the manufacturer's "Bake-A-Bar" is the first chewy granola mix in a box. Kathy Newton of General Mills claims that the granola bar mix is not only "fresher, moister and more versatile" than already baked granola bars, but also up to three times more economical.

"Bake-A-Bar" comes in four flavors: chocolate chip, peanut butter, raisin and spice and honey. □

Beer & Wine: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Beer	91.84	$5,393.40	$4,919.67	9.63	87.76	$1,413.07	5	26.2
Wine	8.16	479.34	461.79	3.80	12.24	197.01	383	41.1
Total	100.00	$5,872.74	$5,381.46	9.13	100.00	$1,610.08	388	27.4

% of total store volume . . . 3.05%

*Adjusted to reflect the latest update of Bureau of Census figures.

Beer and wine still awash in problems

The recession, changing demographics and fierce market share battles result in flat consumption for both segments

Thanks to aggressive merchandising, supers fared better with beer and wine than most other retailers did in 1982. It was a year that saw just a flicker of tonnage growth following a 24-year trend upward.

Several factors were responsible: the nation's economic downturn put a pinch in drinkers' pockets; the aging populace thinned the ranks of lager lovers in the 18- to 34-age group that accounts for three-quarters of beer consumption, and beer manufacturers have been vying for market share too furiously to consider new ways to expand the category.

In addition, prospects of extra state and Federal excise taxes and deposit laws—which would drive up prices and decrease demand even further—make quick recovery elusive.

In 1981 sales of beer and wine through supermarkets grew a dramatic 14.7%, but 1982 saw sales increase only 9% to $5.87 billion. Beer sales grew by 9.63% to $5.39 billion, while wine managed a 3.8% spurt to $479 million. These numbers reflect performance only of supers able to sell beer or wine; they'd be proportionately higher if laws allowed all supers to merchandise the category.

Currently, supers sell an estimated 58% of the nation's wine and 62% of its beer. A continuing drop in the number of other retail outlets selling beer has resulted in a concentration of sales in food chains.

The first quarter of 1983 was particularly rough for wine sales, how-

ever, because a cash crunch caused many retailers not to refill year-end wine stocks until late February. Even then, says Ron Tommasini, Cella Wines national brands director, many retailers did not buy and stack heavily, harming impulse sales.

Rushing in to grab share are convenience stores, which have begun giving more cooler and warm gondola space to wine. Indeed, some convenience outlets in Houston have already obtained on-premises licenses to sell draft beer.

Countering these trends quickly, however, some Safeway, Kroger and Winn-Dixie stores have begun to integrate wine with groceries. And, with a similar eye on spreading beer's impact throughout the store, brewers have turned to theme promotions, recipes calling for beer and new point-of-purchase displays for supermarkets.

Against this backdrop, fierce interbrand rivalry is intensifying. Market segmentation rules the day, as demographics change and the overall market of beer drinkers shrinks.

There are some bright spots, though. The number of women beer drinkers and upscale beer drinkers have climbed 20%. Also, 33% more consumers aged 45-54 are drinking beer. The need for fine market targeting may make consumer cents-off coupons the next major tool to woo drinkers, particularly since Old Milwaukee's recent use of this strategy was highly successful.

Beer: Although overall category tonnage was up just 0.4% in 1982, and is only expected to gain 0.6% by 1985, there is one beacon in beer's dark night: light brews. Reduced-calorie beers leaped from a 2% market share in 1975 to 13.8% in 1981 and to 17.4% last year, according to John Maxwell, analyst at Lehman Brothers Kuhn Loeb and *Beverage Industry.* Of all the beer segments, only lights are expected to grow at a 2%-3% annual rate through the 1980's; at that rate, lights could make up one brew in five by the end of the decade.

Although Miller Lite accounts for a 60% share of the light beer segment, Budweiser Light will likely pose a challenge before long. A-B's $35 million brand introductions helped it capture a 3.1 million-barrel production level in 1982; if that doubles this year, as some expect, Bud Light would crack the top 10 easily. However, that might be tainted success for A-B, whose two other light beer brands, Michelob Light and Natural Light, already shared a flat 1982.

Light beers will capture a 19% share of market by 1990, predicts *Impact,* a trade newsletter. It also pegs imports at a 6% share by that time, malt liquors at 5%, popular-priced brews at 8%, premiums at 55% and super-premiums at 7%.

These projections reflect long-term trends showing a severe slowdown in the growth of imports, share dips among popular-priced brews and stable sales for the premium/super-premium segment.

In 1982, says Maxwell, popular-priced beers slipped to less than half their market share of seven years earlier, premiums and super-premiums steadied at nearly six of every 10 beers consumed, and imports grew by 11%—considerably less than the 25% growth projected.

Among imports, Heineken remains twice the size of Molson, its nearest competitor, although the 40% annual tonnage growth of Beck's, Labatt and Moosehead may soon have them capturing an aggregate 20% of the segment. One exciting new import is Suntory Ltd.'s Suntory Draft Beer, sold in an unusual 2-liter keg that holds the same amount as a six-pack in less shelf space. The company claims its beer, introduced in Massachusetts and New York last month, is the fastest-growing brand in Japan.

While the recession took its toll on

Coors
Coors
Coors
Coors
Fürstenberg
Labatt's 50
Black Horse Ale
Potato Chips

imports, it brought out the best in popular-priced brews as people traded down. It also helped super-premiums as other shoppers traded up almost as if they felt top beers were one of the few treats they could afford. Renewed strength of the popular-priced segments may be a short-term phenomenon, even though their share is 20.7%, up from 15% in 1981.

Fueling that trend, Miller Brewing is reintroducing Meister Brau, a popular-priced brew that until recently hadn't been sold for the past 10 years. Miller plans national distribution for the brand, which is currently in 11 markets. It will be positioned against Schlitz's Old Milwaukee, which has zipped into the No. 7 spot, and A-B's Busch.

Wedding the light and premium segments is Pabst's Jacob Best Premium Light Beer, set for 38 markets by this summer. And Coors is readying Golden Lager, a new full-bodied brand to compete with the nation's No. 1 and No. 2 brews, Budweiser and Miller High Life.

Consolidation: Recent mergers have shifted two-thirds of the nation's gallonage into the pockets of the nation's top three brewers; Anheuser-Busch sports a 32.3% market share, Miller 21.8%, and Stroh (including Schlitz and Schaefer) 12.8%. Heileman captures a 7.9% share, Pabst 6.8%, Coors 6.6%, followed by Olympia at 2.8%, Genesee 1.9%, Schmidt 1.8%, General 1%, Pittsburgh 0.5% and others 3.8%, estimates Maxwell and *Beverage Industry*.

With few exceptions, smaller regional brewers have lost significant market share, suffering sharp drops in barrelage. Consequently, beer wholesalers, not linked to major brands, are seeing their sales plummet. The result: a 1% annual decline in the number of beer wholesalers since 1958, and a nearly 2% drop last year.

Meanwhile, the brouhaha over territorial restrictions on beer wholesalers rages on, especially in New York, where Anheuser-Busch has begun limiting the geographical spread of its 38 area wholesalers. The result is that supers can buy a particular brand from only one distributor.

The Food Marketing Institute contends that such moves are monopolistic and restrict the freedom of supers to buy from whomever they want. As proof, FMI points out that when Indiana lifted its territorial franchises, the price of beer dropped 20%.

However, brewers and wholesalers contend that fierce interbrand competition by itself will either stifle price rises or keep them moderate. So will competition for the beverage dollars overall, say wholesalers. The National Beer Wholesalers Association further argues that exclusive territories help brewers police distribution, and make wholesalers sharper on freshness and more responsive on store service and deliveries. They also say that exclusive territories give supermarkets better recourse to brewers.

Currently, 18 states mandate exclusive territories to make their sales monitoring and tax collection easier.

Wine: Besides the onset of flat overall consumption in 1982, overall tonnage was up only a minuscule 1% last year and supermarket sales were flat. Consumers who are buying wine in supermarkets are opting for less expensive Italian and French imports, particularly lambruscos, which may sell even better in 1983 as importers introduce whites to the market.

Meanwhile, wine prices are expected to remain low this year because California vintners, who produce 75% of wine consumed in the United States, had a bumper grape crop last fall. In addition, imports can meet the low prices of many domestic wines because of the strong United States dollar.

The bright spot is that retailers who buy for less may be able to promote and cross-merchandise more. ☐

Granola snacks healthy, but cereals need video push

While granola snacks skyrocket, ready-to-eat cereals are flat; will Pac Man and Donkey Kong come to the rescue?

Two strokes of Americana sprinkled magic fairy dust over the breakfast food/granola snack category in 1982.

First, in the more established breakfast cereal segment, several major cereal manufacturers heard the synthesized blips emanating from video games in 1982 and recognized the sound of profits.

Two of the majors, General Mills and Ralston Purina, immediately scooped up the rights to the video game characters, Pac Man and Donkey Kong, and now both have new products bearing the names of these characters, poised for national rollout.

Meanwhile in the very lucrative granola snack category, which is usually merchandised in retail stores in or near the breakfast food department, sales through supermarkets soared."

According to SAMI, sales for all granola snack items climbed 55% to $278 million for the one-year period ended last April. The category, which was pioneered by Sunfield Foods with Crunchola back in the mid 70's, now is peopled with several big name players, all aggressively competing for market share and all, in the process, dramatically expanding the category.

Quaker Oats calls its 18-month-old line of Chewy Granola Bars, originally produced by Sunfield for Quaker, "the most successful new item we've ever produced."

The bars were so popular that after their initial introduction in the East, they had to be withdrawn because demand outstripped supply. Now national since January, they have a 31.3% share, according to SAMI.

The Chewy Granola Bars come in four flavors—peanut butter, raisin and cinnamon, honey & oats, and chocolate—but the last has proven to be the most popular.

Consumer receptivity to the new "chewy" variation has been so strong that General Mills last year introduced its own test version, a chewy Nature Valley bar. In national distribution since January, the line had earned a 13.5% market share in less than three months, according to SAMI.

The Granola Cluster line, also from General Mills, went national last February and so far has a 15.2% market share, again according to SAMI.

In contrast, Hershey's New Trail granola bar, which has only about 25% distribution nationally, is showing a very modest 2.3% share, and Carnation, which is also finding the going slow for its Trail Mix bars

Breakfast Cereals: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Ready-to-Eat Cereals	**88.83**	**$2,449.23**	**$2,292.44**	**6.84**	**88.51**	**$459.75**	**165**	**18.8**
Combo Packs	1.96	53.91	54.76	− 1.54	1.99	10.35	7	19.2
Sweetened	24.92	687.40	656.46	4.71	25.40	131.98	50	19.2
Hi-Protein	9.36	258.02	252.97	2.00	9.24	47.99	15	18.6
Corn Flakes	5.31	146.34	122.01	19.94	5.38	27.95	10	19.1
Wheat Flakes	3.84	105.90	104.31	1.52	3.57	18.53	7	17.5
Bran & Wheat Germ	12.78	352.36	380.39	− 7.36	12.48	64.83	23	18.4
Puffed Rice, Wheat, Oats	4.89	134.78	122.01	10.47	4.93	25.61	11	19.0
Cold Oats	5.03	138.64	150.32	− 7.76	3.82	19.83	4	14.3
Shredded	4.68	129.01	145.02	−11.03	4.35	22.58	5	17.5
All Other Ready-to-Eat Cereals	8.10	223.36	169.79	31.55	8.43	43.78	17	19.6
Natural Cereals	7.96	219.51	134.40	63.33	8.92	46.32	16	21.1
Hot Cereals	**11.17**	**308.07**	**287.97**	**6.98**	**11.49**	**59.72**	**30**	**19.4**
Oats	7.68	211.80	178.64	18.56	7.54	39.18	16	18.5
Wheat [Incl. Farina]	2.09	57.76	65.38	−11.64	2.37	12.30	7	21.3
Hominy Grits	0.98	26.96	24.68	9.24	1.08	5.64	3	20.9
All Other Hot Cereals	0.42	11.55	19.27	−40.06	0.50	2.60	4	22.5
Total	**100.00**	**$2,757.30**	**$2,580.41**	**6.86**	**100.00**	**$519.47**	**195**	**18.8**

% of total store volume . . . 1.43%

*Adjusted to reflect the latest update of Bureau of Census figures.

Additives/Pastries/Granola: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Toaster Pastry	8.40	$ 57.76	$ 51.12	12.99	7.93	$ 12.65	10	21.9
Regular [Unfrosted]	2.80	19.25	19.37	− 0.61	2.57	4.10	4	21.3
All Other Toaster Pastry	5.60	38.51	31.75	21.29	5.36	8.55	6	22.2
Breakfast Additives	75.07	516.04	498.45	3.53	72.66	115.81	62	22.4
Instant Breakfast [Liquid & Mixes]	8.96	61.62	58.30	5.69	8.31	13.25	8	21.5
Milk Additive—Dry	7.56	51.99	54.76	− 5.05	6.20	9.88	5	19.0
Milk Additive—Syrup	6.72	46.21	29.98	54.14	5.60	8.92	4	19.3
Cocoa & Cocoa Mixes	28.58	196.40	208.72	− 5.89	29.32	46.74	30	23.8
Ovaltine & Postum	3.92	26.96	24.68	9.24	3.89	6.20	3	23.0
Instant Breakfast [Solid]	19.33	132.86	122.01	8.89	19.34	30.82	12	23.2
Granola Bars**	12.61	86.65	0.00	0.00	15.00	23.92	11	27.6
Natural Snacks	2.24	15.40	0.00	0.00	2.34	3.73	8	24.2
Fruit Roll-Ups	1.68	11.55	0.00	0.00	2.07	3.30	3	28.6
Total	100.00	$687.40	$549.27	25.15	100.00	$159.41	94	23.2

% of total store volume . . . 0.36%

*Adjusted to reflect the latest update of Bureau of Census figures.

**Not tracked prior to 1982.

rolled out last year, is currently "evaluating options."

Sunfield, which originated the category, now finds itself fighting for share. Management cut prices 20¢-40¢ on its entire Crunchola line last March, hoping to up its 5.2% share.

A SunSnax line introduced in March is "performing favorably" according to management, and should be in 80% of all markets by fall.

At first just a West Coast phenomenon, the American urge to snack on healthy granola products is now almost a national fever: Sales in the West and the East are strong; sales in the Midwest are trending up, and in the South, where market penetration is still negligible, sales trends look promising.

To fuel growth even further this year, the industry is pouring $52 million into radio, TV and print advertising—18% more than was spent in 1981.

Originally, many granola snacks were treated as a breakfast food alternative, but now the category is almost ready for its own independent status, and breakfast foods have gone to the traditional as best as traditional can be defined in the 20th century.

The GM cereal division is now testing Pac Man presweetened cereals in Portland and Seattle, and even though some retailers have described Pac Man's success as "less than spectacular," GM plans a national rollout by summer's end, and intends to support it with a multimillion-dollar campaign slated to break this month.

Pillsbury
Instant Breakfast
Carnation
Instant breakfast
FRUIT ROLL-UPS
Granola Bars

Ralston Purina, meanwhile, already has gone national with Donkey Kong, encouraged by sales that "surpassed expectations" in 1982 test markets.

Although some retailers are worried that the licensed cereals may be too faddish and therefore subject to a short life span, initial volume seems to be good, even considering the reports of sluggish sales for Pac Man.

One Portland retailer who has both products was expanding facings and considering further in-store promotions. A source in Safeway's Portland division, however, says that the $2.45 ticket on Pac Man's 17-oz. size seems to be impeding sales and that turns probably won't reach 26 a year, the average for this segment in his store.

Lest Pac Man and Donkey Kong feel too lonely out there by themselves on grocery store shelves, General Mills and General Foods are also coming out with cereals packaged around popular licensed characters.

Early sales reports for GF's Smurf Berry Crunch, rolled out this spring, claim sales are "exceeding expectations," while GM claims "phenomenal success" for its Strawberry Shortcake cereal. Rolled out last August, GM says Strawberry is responsible for a 2-point increase in category share.

If sales in 1982 are any indicator, the new wave of licensed ready-to-eat cereals is just what the category needs. This segment grew only 7% in 1982, while presweetened cereals grew 5% in 1982.

However, the sales picture was much brighter for "healthier" ready-to-eat cereals. Sales for corn flakes were up 20% in 1982, and sales for natural cereals zoomed 63% to $219 million.

Kellogg's sparked the trend toward fiber products by spinning off a Wheat and Raisins extension from its Nutri Grain line. The product was positioned as a replacement for Barley and Rye varieties discontinued in midyear.

Some retailers claimed the line "really took off at first" but has since "dropped down on the movement list," recording only 15-20 turns annually. In the meantime, old favorites like Raisin Bran and Grape Nuts continue to turn as often as 52 times a year.

Low-sodium cereals tested the water for the first time last year and deserve credit for part of 7% category growth. Market leader Kellogg's introduced low-sodium versions of its most successful cereals—Low Sodium Corn Flakes and Low Sodium Rice. Both products are now available regionally in most East Coast markets and nationally through the food-service industry.

Old favorites also continued to fare reasonably well. GM's Cheerios remained the No. 1 sales brand and No. 2 tonnage brand, while Ralston Purina's Chex line increased sales about 20%. Kellogg's, however, chose to reduce the price of its leader, regular Corn Flakes, and still lost some share points, according to sources. Both GF and GM are said to have picked up 2 points. The rank now stands: Kellogg's, 38%; GM, 21%; GF, 18%.

Unit Movement

The following chart shows each breakfast cereal category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Ready-to-Eat Cereals	1,349	87.15
Combo Packs	34	2.20
Sweetened	340	21.96
Hi Protein	139	8.98
Corn Flakes	117	7.56
Wheat Flakes	55	3.55
Bran & Wheat Germ	195	12.60
Puffed Rice, Wheat, Oats	104	6.72
Cold Oats	69	4.46
Shredded	77	4.97
All Other Ready to Eat Cereals	117	7.56
Natural Cereals	102	6.59
Hot Cereals	199	12.85
Oats	131	8.46
Wheat [Incl. Farina]	37	2.39
Hominy Grits	22	1.42
All Other Hot Cereals	9	0.58
Total	1,548	100.00

Hot cereals continued to experience relatively flat sales in 1982, although those made with oats did move ahead a healthy 19%.

Despite the trend toward convenience, breakfast additive products also stayed flat in 1982. Syrups used for flavoring milk, however, enjoyed a 54% gain.

To stimulate sales of breakfast mixes, market leader Carnation is now heavily couponing the category. Carnation has also increased coupon values and shortened redemption periods in 1983. The manufacturer is still solidly behind the category, believing "growth will increase as the pace of living speeds up." □

Candy makers find new growth market: the over-30 chocaholic

Candy manufacturers gear new entries to the mature consumer, while gum makers struggle to hold the young

The shift toward an older population with fewer children probably has had a more profound impact on candy and gum sales than any other supermarket category.

Although 1982 turned out to be a relatively flat year overall, dramatic gains were posted in segments where manufacturers were able to actively merchandise their products toward adult consumers.

The candy industry lost no time in capitalizing on the current "chocolate is in" fad, especially among those over 30. By turning out numerous high-quality chocolate and chocolate-coated bars, this upscale segment chalked up remarkable sales gains last year, with single bars topping the list with a 51% gain.

In response to the success that market leader Hershey achieved with its three-year-old Big Block line of thicker chocolate bars, several competitors recently got into the fray with their own versions.

Charleston Chew
69¢
PRICE BREAK
Mounds
York
Almond
49¢

In February Cadbury went national with its Thick Milk bar, available in almond, fruit nut and milk chocolate varieties. A caramello version went into Boston, Chicago, Cleveland, Denver, Detroit, Kansas City and New Orleans last April.

Industry sources say the "creamier" bar has markedly expanded the segment, but that its share still lags behind Hershey's Big Block, which has a slightly greater butter content.

Ferrero is also looking to cash in on the chocolate craze by marketing Mon Sheri, a high-quality milk chocolate that is a best seller in Europe, in this country.

Introduced in Syracuse and a Northwest market two years ago, Ferrero is set to expand distribution this fall. The 3.5 oz. product, with a 20¢ retail price tag, is being marketed in 4- and 10-pack units.

Ferrero hopes to quickly capture a sizable share by giving the product heavy TV advertising support; in the past this segment has received limited promotional backing.

In May Nabisco came out with a new chocolate-flavored Charleston Chew, sold in 11½ oz. bags with a $1.39 retail price tag. The manufacturer is also bringing out 6-pack Junior Mints, set to retail at $1.59.

After a five-year test in the Northeast, Hershey's After Eight chocolate-covered thin mint went national last fall.

Cadbury, which unveiled its Milk Tray box chocolate in ½-lb. and 1-lb. units last December in New England, is set to put the product into national distribution by Christmas.

Hershey soon plans to give national distribution to Skor, a crisp chocolate-covered toffee bar it test-marketed in Dallas and St. Louis last year. Originally imported from the company's Scandinavian affiliate, AB Marabou, Hershey is now producing the bar here. Available in 1.25-oz. units with suggested retails between 30¢ and 35¢, the bar will get TV and consumer couponing assistance.

M&M*Mars continues to rank among the leaders in the various chocolate segments, even though the company has done little by way of introducing line extensions or new products. This year it will pour millions of dollars into sponsoring the Pan American games and 1984 winter and summer Olympics.

Designated as the "official Olympic snack food company," M&M*Mars will sponsor the United States team and will also advertise heavily on the ABC-TV telecasts. In addition, it will sponsor 30-second "Road to Sarajevo [Yugoslavia]" and "Road to Los Angeles" Olympic promos, which will start airing nationally later this year.

The Olympic promotion will kick off at the retail level this summer as Mars rolls out a mixture of its best-selling chocolate bars and M&M pieces in a new 20-oz. jar. By purchasing the product, consumers will be indirectly subsidizing the U.S. Olympic team: The company has pledged to contribute 50¢ for each jar sold.

In the nonchocolate area, Hershey's Reese's Pieces, a natural peanut butter-flavored candy introduced nationally last year, gained particular prominence through its timely association with a homesick

Candy & Gum: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Holiday Specials	5.49	$ 132.86	$ 125.55	5.82	5.89	$ 45.44	91	34.2
Bar Candies	27.47	664.30	650.75	2.08	25.15	193.99	111	29.2
Large Sizes	4.30	103.98	122.01	−14.77	3.99	30.78	16	29.6
Chocolate, Multi-Packs	11.55	279.20	240.58	16.05	9.81	75.66	40	27.1
Chocolate, Singles	4.54	109.75	72.46	51.46	4.77	36.77	26	33.5
Other Bars, Multi-Packs	5.33	129.01	168.02	−23.21	4.73	36.51	18	28.3
Other Bars, Singles	1.75	42.36	47.68	−11.15	1.85	14.27	11	33.7
Gum	15.95	385.71	456.29	−15.46	18.80	144.99	94	37.6
Regular	6.91	167.04	182.18	− 8.30	7.93	61.14	36	36.6
Sugarless	4.64	112.13	130.86	−14.30	5.55	42.83	29	38.2
Bubble Gum	4.40	106.54	143.25	−25.62	5.32	41.02	29	38.5
Hard Candies	7.95	192.55	164.18	17.28	8.57	66.14	87	34.3
Roll Candies	2.15	51.99	51.22	1.50	2.53	19.55	18	37.6
Lollipops	1.19	28.88	24.68	17.02	1.21	9.36	15	32.4
All Other Hard Candies	2.94	71.24	54.76	30.09	2.96	22.80	37	32.0
Cough Drops	1.67	40.44	33.52	20.64	1.87	14.44	17	35.7
Peanut Candies	2.39	57.76	88.39	−34.64	2.22	17.16	15	29.7
Plain & Coated, All-Chocolate	10.03	242.61	231.63	4.74	8.75	67.54	33	27.8
Plain	3.74	90.50	114.93	−21.25	3.27	25.25	14	27.9
Coated	6.29	152.11	116.70	30.34	5.48	42.29	19	27.8
All Other Chocolate-Coated Candies	4.94	119.38	81.31	46.82	4.66	35.93	31	30.1
Candy Mints	4.86	117.45	107.85	8.90	4.86	37.47	28	31.9
Breath Mints	3.26	78.95	67.15	17.57	3.93	30.32	26	38.4
Caramel, Taffy, Molasses, Fudge, etc.	3.18	77.02	74.23	3.76	3.02	23.26	30	30.2
Jellies	2.94	71.24	65.38	8.96	2.93	22.58	24	31.7
Licorice	1.19	28.88	28.22	2.34	1.21	9.36	11	32.4
Marshmallows & Marshmallow Candy	2.23	53.91	47.68	13.07	2.10	16.17	8	30.0
Popcorn Candy & Popcorn Kernels	4.94	119.38	127.32	− 6.23	4.64	35.81	17	30.0
All Other Candies	3.18	77.02	83.08	− 7.28	3.27	25.19	44	32.7
Total	160.00	$2,419.02	$2,399.01	0.83	100.00	$771.34	650	31.9

% of total store volume . . . 1.26%

*Adjusted to reflect the latest update of Bureau of Census figures.

creature from outer space.

The "E.T.'s favorite candy" promotion, tied in with the biggest motion picture money-maker in history, did so well that Hershey had to keep its production lines running round the clock to meet consumer demand in the latter half of 1982.

In order to keep a good thing going, the Pennsylvania-based company entered into a new agreement with Universal Studios to make sure that Reese's Pieces continue to be E.T.'s top candy.

In the nonchocolate segments, changing demographic patterns are partly responsible for sales being down in 1982.

Nevertheless, Mars began testing a 1.5-oz. Applause caramel crunch bar last October and is evaluating a further roll-out.

Nabisco is also looking to gain a bigger share of the nonchocolate market for its Chuckles candy jelly. Line extensions of the natural citrus-flavored fruit slices are set to debut by midsummer with a couponing booster.

Although the hard-roll candy segment was relatively flat in 1982, the sugarless entries, Ragold's Vellamint and Nabisco's Breath Savers lines, each now capture about a 10% market share and are likely to increase as Americans move away from sugar-sweetened foods.

Nabisco's Lifesavers still holds the No. 1 spot with a 35% share, with American Chicle's Certs the runner-up with 23%.

In the mint area, Ferrero's novel Tic Tac product is moving in on its Nabisco and American Chicle competition. A $5 million network TV ad campaign helped Tic Tac capture a 7% market share in 1982.

To avoid a repeat of the tampering scare that left supermarket shelves stocked with candy after Halloween in 1982, the confectionary industry is pouring about $500,000 into a special public relations campaign this year. It will include leaflets that retailers can distribute to their shoppers, buyer bulletins, POP and radio and TV public service announce-

ments with Dr Joyce Brothers.

On an upbeat note, observers see retailers increasingly benefiting from an industry whose dollar sales are expected to rise by 3.5% (above the inflation rate) annually through 1987, according to the U.S. Department of Commerce. Supermarkets, which now enjoy an approximately 30% share of the candy business, are expected to capture bigger chunks as retailers grow more aggressive with the category.

Gum: Chewing gum manufacturers were hard-pressed in 1982 to revitalize their declining category with new product lines that would attract adult customers. Sales were down 15% in 1982.

The sugarless varieties, which had little consumer appeal once saccharine was taken out in 1978, are now back on the rebound after the additive was put back in last year.

The industry opted to go back to saccharine once it learned that its presence as an ingredient had virtually no negative impact on sales in other categories. Sales for sugarless gums were up by about 10% in 1982, and they now hold about a 25% share in both bubble gum and regular gum.

Market leader Wrigley continues to go after the dwindling children's market. However, Tidal Wave, a soft bubble gum with a liquid center that its Amurol subsidiary put into national distribution last year, has been able to capture only a 5% share.

Unit Movement

The following chart shows each candy & gum category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Holiday Specials	**90**	**3.52**
Bar Candies	**614**	**24.01**
Large Sizes	88	3.44
Chocolate, Multi-Packs	127	4.97
Chocolate, Singles	263	10.28
Other Bars, Multi-Packs	59	2.31
Other Bars, Singles	77	3.01
Gum	**719**	**28.11**
Regular	321	12.55
Sugarless	203	7.94
Bubble Gum	195	7.62
Hard Candies	**270**	**10.55**
Roll Candies	98	3.83
Lollipops	51	1.99
All Other Hard Candies	65	2.54
Cough Drops	56	2.19
Peanut Candies	**36**	**1.41**
Plain & Coated, All-Chocolate	**135**	**5.28**
Plain	43	1.68
Coated	92	3.60
All Other Chocolate-Coated Candies	75	2.93
Candy Mints	**101**	**3.95**
Breath Mints	**145**	**5.67**
Caramel, Taffy, Molasses, Fudge, etc.	**65**	**2.54**
Jellies	**53**	**2.07**
Licorice	**28**	**1.09**
Marshmallows & Marshmallow Candy	**55**	**2.15**
Popcorn Candy & Popcorn Kernels	**85**	**3.32**
All Other Candies	**87**	**3.40**
Total	**2,558**	**100.00**

In February, Amurol introduced its novel Taco bubble gum. The product, which sells in reclosable blister packages with three "tacos" in each, carries a suggested retail price tag of 49¢.

Wrigley still holds down the No. 2 spot in the bubble gum segment, primarily on the strength of its Hubba Bubba entry. Bubble Yum, marketed by Nabisco's Lifesaver division, continues to dominate, while American Chicle takes the show position with its Bubble Licious line.

However, in the overall gum category, of which 60% goes to the non-bubble varieties, the top rankings still belong to Wrigley, American Chicle and Lifesaver, in that order.

It would appear that the relatively minor popcorn candy segment, which had an off-year in 1982, could spring back into the plus column this year as manufacturers see increased marketing opportunities in microwavable varieties.

Austin-Kane put its Micro-Pop, a shelf-stable product, into a dozen Midwest markets last year and now has it in 40 cities stretching from coast to coast. The patented product comes complete with separate packets containing corn and oil.

Micro-Pop will be pitted against Pillsbury's Hungry Jack line, which sells out of the freezer case.

Cracker Jacks, Borden's all-American favorite, will again be put in the public spotlight when the manufacturer sponsors another all-American classic this summer, the annual old-timers baseball game. ☐

Aseptic packs wallop for juice sales

Turns are so hot that most manufacturers are operating at capacity and retailers are expanding facings

The makers of Hawaiian Punch call them Punch Boxes. The people at Hi-C and Ocean Spray just call them wonderful. They're 8½-oz. brick-shaped aseptic packages. Juice and juice drinks packed in them hit the market in 1982, and right away sales bounced skyward and kept on going.

The aseptic debut was too late to make a big impact on total juice/juice drink statistics for 1982. Canned juice sales were up just 7% and juice drinks were down, but manufacturers and retailers alike expect the new packs to give sales a healthy push this year.

The picture for aseptics at the beginning of 1983 was even brighter than test markets and surveys had predicted.

"Sales figures for Hawaiian Punch are double what we anticipated," says Del Monte's Mark Gutsche.

Hi-C, too, surpassed its manufacturer's expectations. Coca-Cola is making aseptic Hi-C at four plants. "We're at capacity. We didn't expect this," says Coke's Janice Gibson.

And Ocean Spray, at capacity, is racing to fill its orders. Says company spokesman John Lawler, "Frankly, we're worried about keeping up with demand."

Borden recently doubled its capacity to pack 100% juice in its aseptic Sippin' paks. "Figures were so good at the end of '82 that we took Sippin' packs into the Southeast in April," says Borden's aseptic products manager John Shanahan. The company had test-marketed the product in the West and Southwest.

Supermarkets are giving aseptic packs plenty of room, and many have stocked up. Some, like Stop & Shop, foresaw a run and ordered extra cases early in the year. One manufacturer told the chain it expected demand to slack when school let out. But Stop & Shop didn't believe it.

"They may not be packing kids' lunches, but people go to the beach and they go on picnics. These packs are naturals for summer," explains a chain spokesman.

Stop & Shop is in the process of resetting its stores to expand aseptic drink space from 12 linear feet to 16.

To make room for more aseptic packs, chains are taking space away from traditionally canned and bottled juices. By comparison, that category's sales picture is ho-hum.

"It's just flat these days," one chain source says. "About a year ago, we gave aseptic drinks 24 linear feet and 18 of those feet were taken away from the traditionally packed products."

A&P is moving products around, too, to accommodate more aseptics. "Right now we're averaging 4 linear feet for them, but we'll increase space as the need arises," a spokesman explains.

Retailers like the aseptic brick-type packs because they stack and store easily and don't need refrigeration. For the manufacturers, the news gets better and better. Ocean Spray, with a 20% increase in total sales last year, says the aseptics have brought them the young market for the first time. "The little packs in combination with our juice blends are getting us the 6- to 12-year-olds," says Lawler.

There's apparently no cannibalization of 46-oz. cans and bottles—quite the contrary, say all three of the major manufacturers.

"The aseptic packs and the big cans and bottles serve different pur-

Canned Juice: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Powdered Breakfast Drinks	**2.67**	**$ 61.62**	**$ 72.56**	**– 15.07**	**2.79**	**$ 12.82**	**5**	**20.8**
Fruit-Flavored Drinks	**17.12**	**394.73**	**410.57**	**– 3.85**	**15.11**	**69.37**	**49**	**17.6**
Orange	2.84	65.47	56.63	15.61	2.58	11.85	7	18.1
Grape	1.84	42.36	46.01	– 7.92	1.56	7.16	6	16.9
All Other Single Flavors	1.75	40.44	51.32	– 21.19	1.62	7.44	6	18.4
Pineapple-Grapefruit	0.50	11.55	19.47	– 40.67	0.51	2.35	1	20.3
Punches	4.76	109.75	116.80	– 6.03	4.23	19.43	15	17.7
All Other Combination Flavors	5.43	125.16	120.34	4.01	4.61	21.15	14	16.9
Ades & Bases	**1.09**	**25.03**	**26.55**	**– 5.72**	**1.37**	**6.28**	**2**	**25.1**
Fruit Juices	**66.60**	**1,536.17**	**1,394.51**	**10.16**	**68.70**	**315.37**	**102**	**20.5**
Apple Juice & Cider	23.12	533.36	514.98	3.57	23.49	107.74	29	20.2
Cranberry Juice	11.44	263.79	214.13	23.19	10.51	48.27	10	18.3
Grape Juice	5.01	115.53	104.41	10.65	5.69	26.11	10	22.6
Grapefruit Juice	7.46	172.04	173.43	– 0.79	8.43	38.71	12	22.5
Lemon Juice & Lime Juice	1.92	44.29	42.47	4.29	2.39	10.98	6	24.8
Orange Juice	1.79	41.32	42.47	– 2.70	1.96	9.01	6	21.8
Pineapple Juice	3.67	84.72	74.33	13.98	3.65	16.78	5	19.8
Prune Juice	4.59	105.90	88.49	19.67	4.29	19.70	7	18.6
Nectars	2.17	50.06	44.24	13.16	2.54	11.66	6	23.3
All Other Fruit Juices	5.43	125.16	95.56	30.98	5.75	26.41	11	21.1
Vegetable Juices	**11.52**	**265.72**	**251.30**	**5.74**	**10.92**	**50.15**	**22**	**18.9**
Tomato Juice	4.69	108.20	104.41	3.63	4.62	21.21	12	19.6
Tomato Cocktail	1.07	24.66	21.24	16.10	1.15	5.30	3	21.5
Tomato/Vegetable Cocktail	5.43	125.16	120.34	4.01	4.77	21.90	5	17.5
All Other Vegetable Juices	0.33	7.70	5.31	45.01	0.38	1.74	2	22.6
All Other Canned Juices	**1.00**	**23.11**	**8.85**	**161.13**	**1.11**	**5.11**	**2**	**22.1**
Total	**100.00**	**$2,306.38**	**$2,164.34**	**6.56**	**100.00**	**$459.10**	**182**	**19.9**

% of total store volume . . . 1.20%

*Adjusted to reflect the latest update of Bureau of Census figures.

poses," says Coke's Gibson. One is for lunches and snacks and the other stays home in the refrigerator. "We're getting new people, too.

"People pick one up, take it home and find out it tastes good. So they come back for a 46-oz. can for the refrigerator," she adds.

The success story is so big that new manufacturers and new products are bound to climb on the bandwagon. A&P is talking about doing aseptic juices under its own label, and Ocean Spray is test-marketing four flavors of juice concentrate in aseptic brick packs, to be positioned with the other aseptic drinks.

"We can put concentrate in these packs for 10% less than it would cost us to pack it in containers for the freezer, and supermarkets will love it because it will free up space in the frozen foods case," Ocean Spray's Lawler explains.

Sales of most juices in traditional packaging stayed put or went up slightly in 1982. But Tang, a powdered orange breakfast drink, showed a downward slide of 2% in 1982. That's in contrast to an increase of over 10% for Tang from 1980-81.

Single-strength juices as a category were up almost 11% in tonnage from 1981. According to marketing director Eric Jaeckel, Seneca apple juice had a 10% jump of its own. He attributes the movement in apple, grape and other 100% juices to increased consumer consciousness of good nutrition. Welch's executive vice president Ted Wolfe, whose company's sales were also up over '81, echoes that theory.

In that light, tomato juice and vegetable juice cocktails were a disappointment in 1982. Industrywide, sales of those were down slightly across the country. But that doesn't even tell the whole story. Sales were down even more in the big population centers; they dropped 7% in metro New York, for example.

"That's an enigma," says one manufacturer. "You'd think that with a larger segment of the population being older—and tomato juice has traditionally had an older market—sales would be hopping."

In contrast to the general trend, Campbell's tomato juice sales were up 14% last year, and its V-8 was up 2½%. No special ad dollars made the sales happen; product manager Gary Hess attributes it to "just keeping tabs on quality control. We've kept the same formulation, and it's a better value than it was two years ago."

Because tomato juice's performance has been a recent puzzler industrywide, most manufacturers are spending more dollars to research consumers' likes and dislikes. Consequently, there is the possibility that a repositioning ad campaign, which could spark sales, may be imminent. □

Government giveaway hurts butter, cheese

Distribution to the needy could stunt 1983 sales even more; yogurt and gourmet ice cream register impressive gains

There's trouble in the dairy case, and it probably won't abate until the demand disruptions brought on by U.S.D.A.'s massive butter and cheese giveaway programs are alleviated.

The 166 million pounds of cheese distributed to the needy in 1982 accounted for most of the 10% gain in this category's per capita consumption, according to Government economists. Actually, retail dollar sales were down 1% last year.

The situation wasn't as critical for butter, where sales were up 7% despite the 18 million pounds given away by the Government.

Retailers really started to feel the pinch in early '83. "Our butter and cheese sales are down 6%-7% this year," notes Jules Rose, ceo of the 41-store Sloan's Supermarket chain, which primarily caters to an upscale Manhattan clientele. "We've had a 25% fall-off in cheese sales to the institutional market in the last few months," confirms Hotel Bar sales manager Howard Kusnetzov.

Industry pressure finally forced U.S.D.A. to announce a "scale-back" of the program in April as 184 million pounds of cheese and 88 million pounds of butter went into distribution channels for the three months between January and April.

Under the new plan, 156 million pounds of cheese and 60 million pounds of butter will be available for the needy during the five-month May-September period.

At that rate, store operators may be well advised to hold down their inventories. One major butter manufacturer estimates that the new distribution levels represent about 30%-35% of the industry's monthly sales.

"We'll have to live with it," says Bob Anderson, president of the National Cheese Institute.

However, there is one bright light: The cheese giveaway could eventually create a bigger market among low-income people who previously shunned the product.

Oddly enough, the distribution program has had no affect on the relatively new butter-margarine blends. "Our sales are picking up every day," notes Hotel Bar's Kusnetzov. "We've developed a new customer for this line, and we don't believe that it will take away from either our pure butter or margarine sales."

Land O' Lakes, which has a similar product on the market, echoes those sentiments. Both companies are currently conducting market research to find out where they're gaining new customers.

Ironically, amid these disruptions, two of the national cheese distributors made some major product in-

Dairy Products: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Fluid Milk Products	29.06	$ 6,238.59	$ 5,546.96	12.47	27.57	$1,384.97	9	22.2
Yogurt	1.66	357.20	325.99	9.57	1.68	84.30	74	23.6
Eggs	13.03	2,798.27	2,458.07	13.84	8.92	447.72	0	16.0
Cheese**	15.33	3,291.29	3,322.10	− 0.92	19.53	980.80	167	29.8
Ice Cream	11.57	2,483.88	2,272.19	9.32	12.51	628.42	102	25.3
Margarine	5.98	1,284.30	1,006.86	27.55	6.50	326.21	40	25.4
Butter	9.78	2,100.49	1,970.59	6.59	6.65	333.98	10	15.9
Refrigerated Juices & Drinks	4.55	976.22	983.85	− 0.77	5.02	251.87	31	25.8
Refrigerated Dough Products	1.94	415.91	394.54	5.42	2.29	115.21	45	27.7
Refrigerated Salads	1.87	209.88	6.98	***	1.91	95.92	6	45.7
Fish & Fish Snacks	0.49	105.98	90.15	17.47	0.67	33.78	13	31.9
Toppings	0.30	63.54	56.53	12.40	0.35	17.47	4	27.5
Pizza	0.51	109.75	12.29	793.00	0.52	26.23	2	23.9
Yeast	0.13	28.88	58.30	− 50.45	0.17	8.52	2	29.5
Party Snacks	1.25	267.64	168.02	59.29	1.75	87.79	32	32.8
Cottage Cheese	3.34	716.28	656.46	9.11	3.84	192.68	19	26.9
All Other Dairy Case Items	0.10	21.18	323.76	− 93.45	0.12	6.19	28	29.2
Total	100.00	$21,489.20	$19,653.64	9.24	100.00	$5,022.06	582	23.4

% of total store volume . . . 11.15%

*Adjusted to reflect the latest update of Bureau of Census figures.

**Does not reflect cheese sold through deli section.

***A reclassification of this segment accounts for the substantial increase in sales.

Canned & Dry Milk: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Canned Milk	57.28	$227.20	$180.51	25.87	46.71	$26.11	9	11.5
Evaporated	38.35	152.11	143.35	6.11	28.04	15.67	8	10.3
Condensed	18.93	75.09	37.16	102.07	18.67	10.44	1	13.9
Dry Milk	40.29	159.81	164.58	− 2.90	49.16	27.48	11	17.2
Plain	36.41	144.41	153.96	− 6.19	42.36	23.68	9	16.4
Flavored	3.88	15.40	10.62	45.01	6.80	3.80	2	24.7
All Other Canned & Dry Milk	2.43	9.63	24.78	− 61.13	4.13	2.31	2	24.0
Total	100.00	$396.64	$369.87	7.24	100.00	$55.90	22	14.1

% of total store volume . . . 0.21%

*Adjusted to reflect the latest update of Bureau of Census figures.

troductions. In February Kraft came out with a "soft" Philadelphia-brand cream cheese line.

Kraft says its product has an improved "spreadability." Available in 8-oz. tubs, it is being sold in five flavors: toasted onion, olive pimento, chive & onion, pineapple and strawberry.

The Chicago-based firm now has a sliced Velveeta product in all national markets—in both 12- and 16-oz. sizes. It also took its sour and cottage cheese lines into the Windy City this year.

Borden extended its lite-line cheese in March by introducing low-cholesterol, sodium-lite and reduced-sodium variations. The new products, which are receiving "millions of dollars in advertising and promotion," are available in 8-oz. packages containing 12 slices.

Yogurt: While butter and cheese were having their problems, yogurt continued to do well in the dairy case. Retailers are responding by increasing shelf space 10%-15% as the segment continues to chalk up significant sales increases.

Dannon and General Mills' yoplait, the market leaders, are rapidly turning out new product lines with a wider appeal and supporting them with aggressive promotions.

Kellogg, which got into the yogurt business in 1980 when it purchased LeShake from Elmhurst Dairy, has now developed its own Whitney brand. It put the 11-flavor line into the Washington-Baltimore market last August, and took it into New York City earlier this year.

Described as the first premium brand on the market, it is being backed by print advertising in what are probably the nation's biggest per capita yogurt consumption areas.

Ice cream: Gourmet ice creams, with very high butterfat milk contents, are crowding in on a subcategory that moved up 9% last year. Significantly, they are capturing sales even though they carry premium prices and are high in calories.

Although they only snare about 2% of the market, their growth in just three years has been dramatic.

Chilled drinks: While low-fat milk continues to edge in on whole milk's territory, new entries in the chilled beverage subcategory are beginning to compete for dairy case space.

Lipton is expanding its half-gallon chilled tea along the Eastern Seaboard this spring. Sugar-sweetened and lemon-flavored, the new product "added significantly" to tea sales in the Harrisburg test market last year, says D. W. Von Arz, Lipton senior vice president. It will receive newspaper and possibly some TV advertising support.

A new chocolate drink using a Hershey mix found its way into a 10-county central Pennsylvania area in April. Dairies licensed by Hershey make the product from the mix and package it in pint, quart and half-gallon containers that resemble giant chocolate bars. The new product is expected to be in 8-10 markets across the country by this summer, according to spokesman Deb Ryerson.

Eggs: The cholesterol controversy apparently had little affect on egg sales—they were up 14%.

However, the American Egg Board is out to improve on that. They've budgeted $3 million in 1983 on three "short-term and high impact" radio and TV campaigns. The July promotion will feature a "Take Eggs along" theme; in October they'll be spouting "Anything goes in omelets." ☐

Single-strength soup's the one

Manufacturers race to brew new flavors for the single shopper, while promotions expand soup's use beyond the soup bowl

Single-strength cans and individual dry packages singlehandedly kept soup out of hot water in 1982. Those are the only categories that showed any growth over '81.

The picture for condensed soup was far from super. Everything in that category was down.

People want their soup easy, says one manufacturer. He points out that single-strength, single-servings are easily "microwaved," while individual drys are instant once hot water is added.

Some people view the two-person-working household as sure death to the family meal as we used to know it. That changed household, however, is probably the major factor bringing new life to the soup category, with members of today's households often eating alone.

Campbell reports that its single-strength chunky soups do 25%-30% better than its regular, condensed soups. And their single-serving chunkies have the edge on the double-serving cans, says Campbell marketing vice president, Herb Baum. People, he says, are using the chunkies as meal replacements.

The heartening picture of a busy consumer grabbing a mug of soup for supper-on-the-run stirred manufacturers into new action last year.

Campbell is test-marketing a dry soup line called Comin' Home and a single-strength Italian soup line under the Prego label. Lipton added two new flavors last year—golden mushroom and golden onion. And Progresso, whose soups are all single-strength in cans, is test marketing four new flavors.

Campbell's new dry soup line, packaged in a box containing six 8-oz. packets, comes in five flavors—chicken noodle, beef noodle, onion, zesty tomato and noodles in chicken broth. And as of this spring, sales are ahead of projections, according to Baum.

The fact that the new dry soup is called an "instant soup and recipe mix" reflects manufacturers' recent efforts to expand soup's use beyond the edge of the soup bowl. They're touting soup as an ingredient in all kinds of main-dish meals. A Lipton source, describing the company's new golden mushroom and golden onion, says, "They're lighter, better for use in fish and chicken dishes."

And LaChoy, makers of Ramen noodle soup mixes, is spending substantial money on "recipe development" instead of on advertising.

One manufacturer, commenting on the dry soup industry, says any growth in the category in the last few years hasn't been *real* growth, but rather the result of new product introductions. Beneath the low profile dry soup has kept, there's been a lot

Canned & Dry Soup: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Dry Soup Mixes	**11.57**	**$ 155.97**	**$ 199.98**	**−22.00**	**13.44**	**$ 39.32**	**26**	**25.2**
Noodle	4.86	65.47	76.10	−13.96	5.57	16.30	10	24.9
Onion	3.14	42.36	61.94	−31.60	3.61	10.55	5	24.9
All Other	3.57	48.14	61.94	−22.27	4.26	12.47	11	25.9
Bouillon Cubes	**2.29**	**30.61**	**28.32**	**8.79**	**2.94**	**8.60**	**7**	**27.9**
Individual Dry Soup Mixes	**9.43**	**127.08**	**99.10**	**28.23**	**10.56**	**30.88**	**18**	**24.3**
Single-Strength Soups	**20.15**	**271.49**	**235.37**	**15.35**	**18.76**	**54.84**	**25**	**20.2**
Condensed Soups	**56.56**	**762.47**	**739.59**	**3.09**	**54.30**	**158.88**	**66**	**20.8**
Broths	4.29	57.76	53.56	7.84	4.48	13.11	5	22.7
Consomme & Bouillon	1.00	13.48	14.95	− 9.82	1.08	3.17	1	23.5
Cream of Chicken	2.43	32.73	39.86	−17.88	2.50	7.30	2	22.3
Chicken Gumbo	0.57	7.70	11.21	−31.30	0.60	1.76	1	22.8
Chicken Noodle	6.71	90.50	93.32	− 3.01	5.72	16.74	6	18.5
Chicken Vegetable	1.00	13.48	14.95	− 9.82	1.08	3.17	2	23.5
Chicken w/Rice, Stars, etc.	3.71	50.06	44.84	11.64	3.32	9.71	5	19.4
Tomato, Cream of Tomato, Tomato Bisque	5.29	71.24	57.30	24.33	3.82	11.19	4	15.7
Tomato Rice	0.71	9.63	9.97	− 3.40	0.75	2.21	1	22.9
Vegetable	3.00	40.44	39.86	1.46	2.99	8.73	5	21.6
Vegetable Beef	2.29	30.81	32.38	− 4.84	2.06	6.04	2	19.6
Vegetarian Vegetable	1.14	15.40	17.44	−11.69	1.05	3.08	1	20.0
Minestrone	1.14	15.40	11.21	37.38	1.23	3.59	1	23.3
Bean—All Types	0.86	11.55	14.95	−22.73	0.97	2.83	2	24.5
Beef	1.14	15.40	17.44	−11.69	1.34	3.93	1	25.5
Beef Noodle	0.29	3.85	11.21	−65.65	0.35	1.02	1	26.4
Clam Chowder	2.71	36.58	36.12	1.27	2.94	8.60	4	23.5
Mushroom—All Types	8.71	117.45	103.28	13.72	7.87	23.02	4	19.6
Pea	1.43	19.25	17.44	10.38	1.50	4.39	2	22.8
Turkey—All Types	0.71	9.63	9.97	− 3.40	0.71	2.08	1	21.6
All Other Condensed Soups	7.43	100.13	88.33	13.36	7.94	23.23	15	23.2
Total	**100.00**	**$1,347.82**	**$1,302.36**	**3.49**	**100.00**	**$292.51**	**142**	**21.7**

% of total store volume . . . 0.70%

*Adjusted to reflect the latest update of Bureau of Census figures.

of activity going on. Manufacturers have jumped into the market with various new products and new forms of products.

As a result, statistics have gone in all directions depending on which subcategory you're looking at. For instance, soup starters, which debuted about 10 years ago, haven't made a happy story over the long run. One manufacturer says soup starters have been plummeting downward at a double-digit rate for the past few years. Then instant soups in their own containers reportedly were disappointments. There's been cannibalization, too; one retailer cites the example of Lipton's Lots of Noodles, which cannibalized its own Country Style.

While condensed soups were down industrywide, Campbell's condensed held the line. The company hasn't abandoned that line either in its quest for new products to satisfy the consumer. Right now it's test-marketing a "home style" condensed in two flavors—beef noodle and chicken noodle. "It's more highly flavored, has more onions and garlic," says Baum.

It will appear on grocery shelves in August, and ads featuring it will go in general magazines like *People* and *Newsweek* in November and December. Baum says Campbell spent about 10% more on advertising in '82 than in '81 and will do about the same this year.

No-salt introductions are late coming to the soup market. Campbell put a single-strength low-sodium line on the market late last year, but other manufacturers are holding back.

Lipton says it's "looking at low-sodium soups" but hasn't brought any out as yet. And Heinz, packer of 85% of private label soups, says it has been reducing the sodium content little by little over the years, but at this time has no plans to bring out a separate low-sodium line.

While soups sales weren't remarkably up or down this past year, they were different. Weird weather across the country played havoc with soup sales' normal geographic pattern. Less soup was sold on the East Coast, manufacturers say, because the winter was such a warm one. But it balanced out: On the West Coast, where soup sales are generally lighter, they got heavy this winter thanks to monsoonlike rains and uncommonly cold weather there. ☐

Salmon sales in the pink again

Promotional activity gets salmon sales back to normal, while tuna holds steady and crab stays out of the can

It was an upstream struggle all the way, but salmon sales managed to get back to normal by this spring. Even in the wake of 1982's botulism scare, they inched up about 1% in the first three months of 1983 over a year ago.

Total sales for calendar 1982 were way down. But the wonder of it is that they didn't get pushed even further down by the current of bad publicity surrounding the recall of small cans of red salmon.

Packers are quick to point out that not one recalled can contained botulism. "They looked all over the world and didn't turn up one they could confirm," says one packer.

The trouble began in March 1982 when a report of botulism linked to salmon spurred the recall of some 7¾-oz. cans of red. Though they weren't all involved in the recall, small reds virtually disappeared from supermarket shelves and didn't return until months later. By June, prices of all salmon had plummeted to 20%-25% below what they were a year earlier.

"We ended up with a year and a half's pack to try to sell in less than a year," says an industry spokesman.

By the end of '82, sales for the whole category were down by 27%. But that's because of the red salmon situation. Tall pink sales were actually up 10%, and chum/keta was up 8%. "That reflects the fact that pink was still on the shelf when red was taken off," says Woody Clemens at Peter Pan Seafood in Seattle. "We think some people who went to pink at that time stayed with it."

Red salmon has historically accounted for about 25% of total salmon sales. That's the way it was in 1981, but not in 1982, when red sales dropped to 18% and pink sales rose to 69%.

According to Bill Frankland, executive vice president at Clarke-Kelley Inc., salmon sales had been getting sluggish even before the botulism recall. So the Alaska Seafood Marketing Institute's $3 million campaign, funded by the State of Alaska to get salmon back on its feet after the recall, helped all the way around.

The Institute ran trade and consumer ads, visited food editors and met with supermarket operators. "We got the trade behind us through the ASMI campaign," says Peter Pan's Clemens. "It took all of us working together to get back where we are." Peter Pan, packers of Double Q, Demings and Gilnetter, increased its ad budget 20% in 1982. And Bumble Bee, brand leader, staged "Fisherman's Wharf" storewide events that promoted oysters, clams and tuna as well as salmon. The message was: Bumble Bee is *the* seafood company.

Most packers agree that the salmon business was back to normal or better than normal by May of this year, thanks in large part to the Alaska-funded ASMI campaign. Some retailers say the ASMI campaign was so successful that salmon is getting scarce.

A Lucky spokesman says both red and pink salmon is in short supply—at least in some places on the West Coast. One manufacturer has deliberately raised the price of its brand of small reds in order to stay on the shelf till this year's pack is ready.

In the South it was business as usual. A source at a large southern chain found the botulism scare didn't affect his salmon business at all. "Sales didn't slack," he says. "It was our biggest year yet for tall pinks." The 15½-oz. cans of pink salmon are traditionally big movers in the South.

Tuna tonnage stayed flat but a significant switch in variety sales reflected consumers' interest in diet. For the first 12-month period ever, sales of light meat tuna packed in water outdid sales of light meat tuna packed in oil. The proportion was 55% water pack and 45% oil pack. A year earlier, it had been 49% water pack and 51% oil pack.

Herb Seigler at Star Kist predicts that the trend will continue till it's 70% water pack and 30% oil pack; in solid white albacore the proportion is 85% water pack to 15% oil pack.

Private label tuna also took a record share: a 17% increase to a share of 23%.

At the end of the 12-month period ended last February, total unit sales for tuna had risen 4% over the same period a year ago. That's because prices came down for both white and light.

Prices went down, industry sources say, because prices for white meat tuna had been rising "dramatically," and that eventually pushed sales

Canned Fish: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Tuna	**73.68**	**$1,328.59**	**$1,408.68**	**– 5.68**	**62.15**	**$197.28**	**37**	**14.8**
Light	40.04	722.06	840.61	–14.09	37.31	118.42	23	16.4
White	32.89	593.05	520.29	13.98	23.91	75.91	12	12.8
Specialties	0.75	13.48	47.78	–71.78	0.93	2.95	2	21.9
Salmon	**10.96**	**197.71**	**270.76**	**–26.97**	**15.01**	**47.65**	**9**	**24.1**
Sardines	**3.95**	**71.24**	**53.09**	**34.19**	**5.88**	**18.67**	**9**	**26.2**
Anchovies	**0.53**	**9.63**	**8.85**	**8.81**	**1.03**	**3.26**	**1**	**33.8**
Herring & Kippers	**0.43**	**7.70**	**7.08**	**8.76**	**0.70**	**2.21**	**1**	**28.7**
Mackerel	**0.53**	**9.63**	**10.62**	**– 9.31**	**0.80**	**2.55**	**1**	**26.5**
Crab	**2.57**	**46.22**	**54.86**	**–15.74**	**3.62**	**11.52**	**4**	**24.9**
King	0.11	1.93	14.16	–86.36	0.15	0.49	1	25.4
All Other Crab Products	2.46	44.29	40.70	8.82	3.47	11.03	3	24.9
Shrimp	**2.02**	**36.36**	**44.24**	**–17.80**	**2.90**	**9.20**	**5**	**25.3**
Clams	**2.56**	**46.21**	**37.16**	**24.35**	**3.70**	**11.74**	**4**	**25.4**
Oysters	**1.92**	**34.65**	**24.78**	**39.83**	**3.08**	**9.78**	**7**	**28.2**
Wet Pack	0.85	15.25	10.62	24.05	1.29	4.10	3	26.9
All Other Oysters	0.85	15.40	14.16	8.76	1.45	4.61	4	29.9
All Other Canned Fish	**1.07**	**19.25**	**15.93**	**17.25**	**1.42**	**4.52**	**3**	**23.5**
Total	**100.00**	**$1,803.19**	**$1,936.05**	**– 6.85**	**100.00**	**$317.29**	**81**	**17.6**

% of total store volume . . . 0.94%

*Adjusted to reflect the latest update of Bureau of Census figures.

down. And an oversupply of light meat tuna brought prices down in that segment.

There have been worries that a scientific phenomenon that has raised the temperature of the ocean off the coast of Central America and California will affect this year's tuna catch. But packers don't see it as significant. "Light meat tuna is caught worldwide," says one. Another believes it could affect the California Coast albacore catch, but the situation could correct itself before then. He points out that right now tuna prices are stable and a good value for the consumer.

On the promotional front, Star Kist spent slightly less on advertising in '82 than it did a year earlier. Doug Hines, executive vice president at Neptune Packing, on the other hand, says his company spent a lot more in '82 on aggressive regional advertising. It paid off with a sales hike of 20%. Neptune packs Double Q, Gilnetters Best and Demings.

Chicken of the Sea took steps in '82, says a spokesman, to raise return on assets. The company divested itself of its tuna vessels and did away with its use of food brokers. As a result, the end of the fiscal year in October showed improved earnings and sales. Chicken of the Sea also introduced a new diet-pack tuna, a reduced salt, water pack light chunk tuna.

Most packers showed little enthusiasm for diet packs. (They differ from water packs in that they have reduced sodium and are usually packed in distilled water.) Star Kist and Chicken of the Sea had introduced a solid white diet pack years ago. Premium prices, however, weighed against the product gaining much popularity.

Since Alaska king crab joined steak on the dinner plate, it's stayed out of the can. What looks like a dramatic sales plunge—canned king crab down by 86%—isn't so dramatic when you realize that king crab isn't being canned at all anymore.

Canners lost the bid to fresh and frozen buyers when crab made it big on restaurant menus, says Washington Fish & Oyster's sales manager Robert Silver.

Canned oyster sales are up sharply, David Cook, vice president of sales at Southland Canning & Packing, attributes that to three things: a nearly doubled supply, stable prices and the fact that consumers are becoming more adventurous.

In the past few years, environmental conditions have kept the oyster beds down, Cook explains. "But now nature is cooperating. We've got a good supply."

The new popularity of gourmet-type foods is helping oysters out, too. "Things like canned smoked oysters are real hot items," Cook adds.

Some stores have disbanded their gourmet sections and have integrated the gourmet items with others in the store, which has boosted sales even more. "We know that sales of smoked oysters double when they're put on the shelf with the regular canned fish and seafood," says Cook.

The 1982 sardine catch was down by about 10,000 hundred-can cases, but packers maintain that won't affect prices to retailers. Prices were down 50¢-60¢ a case from '81, but that was mostly due to competition, according to a major packer.

Canned clams sales were up in '82, probably the result of manufacturers' efforts. Howard Fischler, vice president-sales at Doxsee, says his company spent significantly more on promotion and advertising last fiscal year "because in this economy we just have to fight harder for a fair share of the pie." ☐

Franks enhance chicken's image as star of the meat counter

Further-processed products move poultry sales ahead of pork; despite flat sales, beef still leads this $33 million category

This could be the year that the chicken hotdog no longer runs scared. Supported by a $2 million advertising and in-store sampling campaign, Perdue Farms becomes the last major poultry processor to market the often-maligned but spunky chicken frank.

Even without "Frank's franks," chicken remains the emerging star at supermarket meat counters, where overall sales grew 10.6% last year to $33.3 billion. Poultry's per capita consumption grew 1.6 lb. to 64 lb. to displace second-place pork, which declined by 6 lb. to 59. Beef sales didn't grow, but beef remains America's favorite, with the average meat-eater consuming 77.2 lb. for the second straight year.

Although sales and consumption of fresh chicken have skyrocketed, the last decade has been a rocky one for poultry packers. Fending off charges that their franks are too bland, packers of chicken franks have only been able to scratch out a 13% share of the 1 billion-lb., $1.6 billion United States hotdog market.

The chicken frank's slow but steady growth has come mostly from nutrition-conscious consumers who go for the poultry hotdog mostly because of its low-calorie, low-fat, high-protein image. Indeed, Perdue's chicken franks do have 17% more protein and 20% fewer calories than all-red meat franks.

But Perdue Farms has devised a marketing strategy unlike those used by its poultry brethren. Employing the same high-profile, multimillion-dollar saturation television advertising that boosted tonnage 22% last year, Perdue has chosen to position its new product against all hotdogs rather than just poultry franks.

"We're shooting at the 87%, not the 13%," Perdue president Don Mabe confirms for *CSA Supermarkets*.

Launched May 9 after a 4,000-consumer test in Baltimore-Washington, New Jersey, Boston, Philadelphia and Hartford, Perdue began rolling out in all of its markets with saturation TV advertising and a street promotion that featured vendors selling Perdue hotdogs for 25¢.

If Perdue's new chicken franks were to meet their 10%-15% sales goal, they could expand the category. Packers are already predicting that poultry franks will ultimately capture 30% of the market.

Meanwhile, Oscar Mayer, the undisputed hotdog leader in the United States, is building on its successful 1982 launch of cheese hotdogs.

"It's been an enormous success," declares Tom Smith, marketing manager for Oscar Mayer and Klaussen brands. Sales have exceeded twice the original goal, he says, with Oscar Mayer cheese hotdogs garnering nearly a 2½% market share, or about $25 million in sales.

This year Oscar Mayer has extended its line with a nacho-flavored cheese dog. Limited distribution began in June after consumer panel taste tests. The company is supporting its roll-out with network television and couponing. Almost 30% of next year's advertising and promotional monies have been earmarked for hotdogs, Smith says.

Processed meats: Chicken hotdogs are only one product in the potentially explosive "further processed" category. In the next five years poul-

Meat: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Meat	100.00	$33,348.82	$30,149.59	10.61	100.00	$6,869.86	174	20.6
Total	100.00	$33,348.82	$30,149.59	10.61	100.00	$6,869.86	174	20.6

% of total store volume . . . 17.32%

*Adjusted to reflect the latest update of Bureau of Census figures.

try processors could start a small revolution with chicken hamburgers (patties), nuggets, strips and hotdogs.

Bill Roenigk, director of economics research for the National Broiler Council, predicts that "further processed" chicken will double its share of poultry sales within the next decade. Technological improvements resulting in more cost-efficient production may soon spur "further processed" chicken to 25% of total poultry sales. Some chicken marketers, like Tyson's Gary Thompson, see chicken patties, strips, nuggets and franks passing the $600 million frozen breaded chicken category by mid-decade.

In red meat, processors have begun to explore the diet-conscious market with low-sodium and reduced-fat processed meat entries.

Wilson continues to roll out its 93% fat-free ham, now covering 35% of the national market with its most recent launches in Los Angeles and Phoenix. Sales have been strongest in the Midwest and on the West Coast, Wilson's John White notes.

Exceeding sales expectations, the 93% fat-free ham has become the focal point of Wilson's consumer advertising, serving as an umbrella for the company's other processed meat and spurring incremental sales. "The ham's been a catalyst, driving consumers to the meat section where they pick up companion products with our ham," White claims.

The low-fat ham has also generated at least one line extension. Wilson introduced its 93% fat-free "honey ham" with a light honey glaze in March. The roll-out was supported with radio, television, newspaper ads and couponing.

Meanwhile, Buffalo-based Russer Foods launched its "L'il Salt" line, which complements the company's regular line of processed meats with reduced-sodium bologna, old-fashioned loaf, smoked ham, fat-free ham, salami and pickle-pimiento loaf. Limited distribution began in January in 35 states. Russer's Howard Zensky says that the low-sodium fat-free ham has been his best seller so far.

More than 800 labels for new pork products stressing low-sodium content have been filed this year with the U.S. Department of Agriculture. Moreover, according to the American Meat Institute's economics director, Jens Knutson, 46 companies are now marketing "low-sodium" meats. "Packers have begun to address the demands of consumers," Knutson comments.

Poultry: While "further processed" chicken, especially hotdogs, is grabbing a lot of attention, it's still the freshly dressed bird that rules the roost. Last year's strongest performer, poultry is expected again to lead "overall modest advances" in 1983 meat sales, according to U.S.D.A. projections. Increased production will flatten prices to 1982 levels, with revenue increases coming almost entirely from accelerated unit growth and increased cost efficiency.

Prepackaging probably has improved cost-efficiency in poultry production more than any other single element. In four years prepacks have grown from 30% to 40% of the market. Bill Rusch, marketing director of Holly Farms, a major exponent of prepacks, predicts that half of all chicken sold at retail will be prepacked in three more years.

There are a couple of disadvantages that prepackers have fought to overcome. Retailers' biggest objection is the costly transition from bulk ice packs, which must be cut up in the backroom, to prepacks, which are already cut, packaged and UPC-coded. Prepacks also limit the supermarket operator's freedom of shopping for deals. "You have to commit to one supplier," Rusch explains, "because you'll generally be getting 90% of all chicken needs from him."

The advantages apparently override disadvantages. Aside from cutting labor costs by eliminating backroom cutting, improving front-end efficiency and tracking product movement with UPC-coded packages, prepacks cut down on shrink. They contain 5% less water than bulk ice packs, so there is less yield loss. Retailers who cut and dress their own birds lose some meat in the cutting process. Moreover, a prepacked product can theoretically be purchased for less than what it would ordinarily cost a retailer to manage a backroom meat-cutting operation.

Beef: A beleaguered warrior during the past few years, beef still captures more than half of the $334 spent annually by American families on fresh meat. However, waning consumer demand, the emergence of self-service meat counters which restrict one-on-one contact with customers, and a leaner, less-marbled, harder-to-cook product has halted growth.

To turn beef profits, supermarket operators today must look for better ways to improve meat operations.

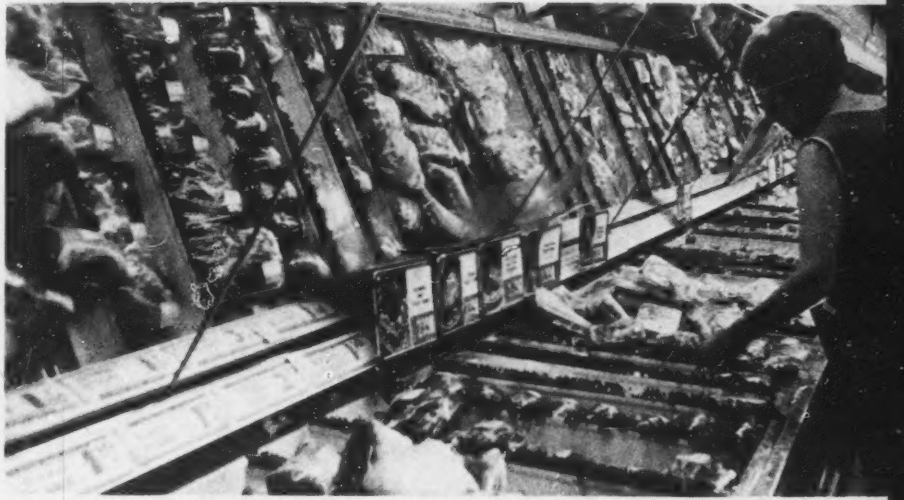
The boxed beef revolution is perhaps the most obvious development in improved meat-cutting efficiency. Boxed, or vacuum-packed, beef debuted 25 years ago, but only in the last two years has the concept caught fire. Organized labor had been boxed beef's staunchest foe because central cutting reduces the need for experienced meat cutters in the backroom. But recently approved contracts has opened the way for boxed beef in two former bastions of hanging beef—St. Louis and Chicago.

About 70% of all supermarkets now sell boxed beef, with the highest penetration in northeastern markets. Some packers predict that box beef penetration could hit 95% in the next five years.

One innovation that could spur this explosive growth comes from Kenosha Beef International, one of boxed beef's big five. The Kenosha, Wis.-based meat supplier is already selling vacuum-packed sliced partial and full subprimals, which permits a meat operations manager to extend shelf life by breaking the vacuum-seal on only the beef that he plans to sell immediately.

Kenosha Beef is also conducting a test on its "C-Pack." Five months into a pilot program in Chicago and Milwaukee, the C-Pack (or consumer-pack) could become state of the art in boxed beef within the next five years.

Instead of vacuum-packing an entire side of beef, Kenosha limits its portions to consumer-sized cuts. Retailers can either display the prepackaged cut in its vacuum-sealed tray, or open the pack and rewrap. C-Pack advantages are extended shelf life—up to three weeks as compared to only three days for traditionally trayed beef—and cost economy—labor costs and shrink are reduced.



However, Kenosha Beef has not overcome the C-Pack's major problem: Boxed beef cannot "bloom" until after a vacuum seal has been broken, and Kenosha's dark reddish beef does not appeal as much to consumers as bright red beef. Pilot stores have had to rewrap about two-thirds of the C-Packs to move the product.

Pork: Still second in meat dollars, pork has dropped to third place in tonnage. U.S.D.A. anticipates further, although "marginal," slippage for the rest of this year.

One problem facing pork is the backlash of its record 16.4 billion-lb. production in 1980. This year pork production dropped to 14.1 billion lb. Ham production is down drastically, almost 11%, while sausage experienced marginal slippage. One "comer," according to the American Meat Institute's Jens Knutson, is fresh pork sausage with production climbing 4% last year.

Pork packers have begun to experiment more with vacuum-packing, like the beef industry has been doing for 25 years. Boxed pork is a relatively new concept, with Oklahoma City-based Wilson Foods the leader.

Lamb and mutton, veal: With per capita consumption up only 0.1 lb. last year, sales remained flat for the lamb/mutton and veal categories. Each increased a scant 0.1 lb., bringing veal up to 423 million lb. and lamb/mutton to 356 million lb.

Price remains a major obstacle in sales, but producers in each category have begun to experiment with the boxed meat concept to increase operating efficiencies. Brooklyn-based Atlantic Veal has come up with a boxed product, but it's targeted more toward institutional sales than supermarkets.

New Zealand Spring Lamb, on the other hand, hopes to stem its downward spiral in sales—a 5% decline last year—with case-ready prepacks. Shipped frozen to retailers, the packs have a shelf life of six to eight months, according to promotion/advertising manager Michael E. Jackson, and they can be UPC-coded upon request.

Always an aggressive advertiser, New Zealand Spring Lamb has boosted its consumer advertising and promotion to $1.2 million this year in its bid to capture the young, upscale consumer. (Lamb consumers generally are older people.) Its advertising campaign will be 85% television, some radio and newspapers, Jackson says, with Boston, New York, Baltimore-Washington, Miami and Los Angeles the prime target markets.

New Zealand Spring Lamb also hopes to distribute 20 million coupons to spark more sales of legs and shoulders. The program will cost $100,000.

The White Plains, N.Y.-based lamb importer hopes to turn sales around next year with two new product offerings—consumer-ready ground lamb patties and retail-ready rack of lamb that consumers can prepare from the frozen state. Both products will be introduced at the height of the lamb season, February through May. ☐

Produce: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Produce	100.00	$15,403.92	$13,932.77	10.56	100.00	$5,006.27	167	32.5
Total	100.00	$15,403.92	$13,932.77	10.56	100.00	$5,006.27	167	32.5

% of total store volume . . . 8.00%

*Adjusted to reflect the latest update of Bureau of Census figures.

1982: a cornucopia of profits

Retailers expect 15% sales gains in 1983 on 3% higher prices. The stars: imports, dried fruits and nuts

Produce merchandisers have reasons to be thumbs up about their department. Conventional and superstore retailers have become more aggressive merchants, stocking greater varieties year-round and carrying a wider selection of exotic imports. Indeed, an average super now carries 110 produce sku's, with the brawniest stocking 160 or more.

This veritable bounty helped supermarket produce sales grow a vibrant 12.17% in 1982 to $15.40 billion, or 8% of total store volume. Averaging 32.5% gross margins, the department contributed over $5 billion to supermarket gross profits last year, or 10.69%.

Weak commodity prices, a result of the strong crop produced in late 1981 and early '82, made produce's productivity seem even more astounding. For 1983, retailers believe the growing consumer demand for fresh fruits and vegetables will spark sales gains of about 15%. Prices are expected to average about 3% higher than 1982.

Availability of fresh vegetables and melons in 1983 will approach last year's record highs; the citrus crop will be 12% greater than last season, although 10% below 1980-81; noncitrus production will be 9% higher than last year but still 7% below 1980, says the U.S. Department of Agriculture.

Current large stocks of apples, grapefruit, oranges and lemons have depressed prices on these items through midyear. However, poor weather throughout the Southeast and California harmed summer fruit

Produce
Produce

ENJOY
CHINESE COOKING
AT HOME

crops of peaches, strawberries, nectarines and almonds, and has caused price hikes.

In addition, retailers should expect higher prices for fresh vegetables throughout 1983. Heavy rains in California made 6% of vegetable acreage unharvestable, biting into production of broccoli, carrots, cauliflower, celery, lettuce and onions; tomatoes and sweet corn were unaffected.

Potato prices at shipping points also rose sharply this spring because much of the fall crop in storage has been depleted, and this spring's crop yields in California and the Southeast are expected to be 13% less than last year and the second smallest output on record.

Imports star: Demand for imports and specialties remains strong as consumers experiment with new cuisines and tastes. Imports are better accepted now for two reasons: improvements in the quality foreign crops and lack of competitiveness with domestic growing seasons.

As an example, Chilean grapes sold nationally in 1983 may number 11 million cases, up from eight million last year, estimates Jim Halloran, president of Produce Consulting and Sales Co., Brainard, Minn. Imported grapes reach the United States in January, peak in March and are available until early May, filling in the gap until the domestic grape crop becomes available.

Similarly, kiwifruit shipments from New Zealand—estimated at 1.5 million trays in 1983—have been filling a domestic void because planted vines take four or five years to bear fruit. Once California plantings become more productive, the state's growers should garner a major share as greater availability brings down prices.

Exotic Persian, Casaba and Santa Claus melons, as well as nectarines, cherries, plums and watermelons are imported, allowing retailers to merchandise wide varieties year-round. Retailers generally take 50% margins on specialties, and 40%-45% margins on "out of season" fruits. The proliferation of imports has cut the retail price premium of "out of season" fruits from 50% above in-season levels to its current 25% edge.

In the Northeast and north central states, many retailers have been able to control product prices and quality while extending seasonality by buying from local greenhouses that grow crops hydroponically. Easy availability, ready supply, controlled quality and the cutback of transportation and handling costs are the inducements that will probably expand this trend.

Regionalism: Many local growers and shippers enlarged their promotional outlays for POS displays in 1982. Many also conducted speaker tours and boosted their expenditures for consumer advertising. The trend was to work more closely with retailers and wholesalers to help them develop promotional pizzazz.

Last month, for instance, 18 New York State grower associations addressed 200 New York-area retailers—among them Waldbaum's, Grand Union and A&P—at a fair sponsored by the New York State Department of Agriculture and Markets. The emphasis was on generating incremental sales while developing operational efficiencies.

In a move of utmost practicality, the state agency has developed a computerized direct marketing system that wholesale and retail buyers can use to link up with local producers of fresh fruits, vegetables and eggs—suppliers they wouldn't be aware of otherwise.

"Matching food sellers with local growers results in fresher product at store level, and distribution savings that can be reflected in prices," says Bob Lewis, who developed the program.

Regionalism may be a burgeoning trend, but it's unlikely to undermine consumer enthusiasm for commodities like Hawaiian pineapples that come only from certain states. A whopping 61% of produce shoppers look for where the fruit was grown, and 46% look for where vegetables have been cultivated, reveals a *Better Homes and Gardens* survey.

Name game: Further, says the study, 44% want to know the name brands of fresh fruit, and 18% want to know the brands of fresh vegetables. This shift away from the perception of produce as a commodity to the perception that the brand can have an impact on quality marks a whole new marketing opportunity.

Castle & Cooke, Campbell Soup Co. and Kraft are now aggressively brand-naming fruits and vegetables, as numerous grower groups have done before them. Campbell, which markets mushrooms under its own name, is reportedly test-marketing tomatoes and sweet corn grown domestically and in Mexico. Kraft is said to have test-marketed three varieties of lettuce, cherry tomatoes and European cucumbers under the brand name of Sun Seasons.

"The value to retailers hinges on how strongly the grower-shipper advertises and builds name recognition," says Halloran. Adds another produce expert: "Years back, suppliers felt retailers couldn't maintain a quality image, so they hesitated to put their names on products or promote them. Apparently, retailers have won them over by improving their own performance."

Dried fruits and nuts, whose sales have been booming in supermarkets, may peak in 1985, say some trade sources. But overall, the market for dried fruit will grow quicker than canned or frozen fruit products, climbing to a 32% share by 1992, projects Business Trend Analysts, Commack, N.Y., research firm.

Division on bulk: Since taking the wraps off produce and letting bananas and cucumbers sell themselves, supermarkets' performance has largely improved. Catering to smaller-size households and letting shoppers examine products firsthand are sales inducements.

One notable holdout has been Publix, which foregoes bulk's merchandising attractiveness for handling efficiencies and other benefits. Central packaging at the warehouse saves labor; produce remains cleaner and less abused by shoppers; prepriced packs convey cost to shoppers immediately and allow greater speed at the front end.

"Whether a retailer succeeds with bulk or prewrap depends mostly upon local market demands, and the degree of management support behind its chosen method," says Halloran. ☐

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Dried Fruit: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Raisins	62.44	$217.58	$194.67	11.77	63.60	$58.53	14	26.9
Prunes	20.44	71.24	60.17	18.40	19.66	18.09	7	25.4
Regular	12.15	42.36	33.62	26.00	11.09	10.21	5	24.1
Pitted & Other	8.29	28.88	26.55	8.78	8.57	7.88	2	27.3
Apricots	3.31	11.55	10.62	8.76	3.24	2.98	1	25.8
Dates	6.63	23.11	14.16	63.21	6.10	5.62	5	24.3
All Other Dried Fruits	7.18	25.03	23.01	8.78	7.40	6.81	11	27.2
Total	100.00	$348.51	$302.63	15.16	100.00	$82.03	38	26.4

% of total store volume . . . 0.18%

*Adjusted to reflect the latest update of Bureau of Census figures.

Health-consciousness pumps up sales

Trend to nutritious cooking and snacking give fruits and natural rice a banner year; but most vegetables are down

The nation's obsession with nutrition once again benefited the dried fruit category in 1982. Sales in supermarkets climbed 15% last year, for a grand total of $348.5 million.

Sales of dried vegetables also went up, but not as dramatically: Supermarket sales for the total category climbed only 5% to $662.3 million.

In dried fruits, dates registered the most vigorous increase, surging ahead 63% to $23 million. A 26% increase in the sale of regular prunes also helped the entire prune subcategory enjoy above-average growth.

In dried vegetables, wild rice was the big winner, surging ahead 63% in sales; all other types of rice except instant also enjoyed strong growth. Perhaps because of America's increasing love affair with gourmet cooking, the sale of instant rice through supermarkets was down about 3.5% in 1982. Sales of instant potatoes also were down, as were sales of all other dried vegetables.

Strange as it may seem, it appears that although Americans are prepared to do more experimenting with natural and long grain rices and to eat more varieties of dried fruit in ever-increasing quantities, they are still leary of cooking with such old European staples as dried beans, peas and lentils. Sales in supers in the last three categories were down 38%, 15% and 46%, respectively. in 1982.

Retailers, on the other hand, were not oblivious to what was happening with dried fruits. For years the industry has been debating the pros and cons of merchandising dried fruits in grocery as opposed to produce. The trend recently has been to put bagged dried fruits in produce, boxed dried fruits in grocery.

Now that sales are up, the tables are turning, with Safeway and A&P leading the way. Holiday and seasonal dried fruits are going directly into produce; everyday items, bagged and boxed, are going into grocery, but adjoining produce and with produce responsible for their upkeep.

The logic of the move goes beyond the need for consistency and the elimination of space fights between grocery and produce over this profitable orphan. It's because produce has the best merchandising environment: more space, more flexibility, more traffic, and what one dried fruit exec calls "top-of-the-mind customer awareness."

But the fillip is profit. Explains an exec: "Produce works on 40% margins. Dried fruit has less shrink, so margins should be 35%. However, margins are staying at 40% because of produce's penchant for 40%. On the other hand, when dried fruit is handled by grocery, it goes at 30% because that's the way the grocery department perceives it."

Here's how each of the major items fared in 1982:

Raisins: The rains caught 1½ million tons of grapes in a drying mode, and one-third of the crop was lost. Still, enough of the crop was recovered to bring this year's total to more than 300,000 tons, which is

Dried Vegetables: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Rice & Rice Dishes	**68.03**	**$450.56**	**$375.19**	**20.09**	**65.21**	**$105.45**	**44**	**23.4**
Regular	33.43	221.43	176.97	25.12	33.15	53.59	18	24.2
Instant	11.34	75.09	77.87	− 3.56	9.05	14.64	5	19.5
Brown	4.36	28.88	24.78	16.55	4.71	7.62	3	26.4
Flavored	16.28	107.83	84.95	26.93	15.60	25.23	14	23.4
Wild Rice	2.62	17.33	10.62	63.18	2.70	4.37	4	25.2
Instant Potatoes	**19.47**	**129.01**	**129.19**	**− 0.13**	**19.49**	**31.51**	**22**	**24.4**
Mashed	5.81	38.51	53.09	−27.45	6.17	9.97	7	25.9
All Other Instant Potatoes	13.66	90.50	76.10	18.92	13.32	21.54	15	23.8
Beans	**8.43**	**55.84**	**90.25**	**−38.12**	**9.87**	**15.97**	**11**	**28.6**
Peas	**2.04**	**13.48**	**15.93**	**−15.37**	**2.63**	**4.26**	**3**	**31.6**
Lentils	**0.58**	**3.85**	**7.08**	**−45.61**	**0.98**	**1.59**	**1**	**41.2**
All Other Dried Vegetables	**1.45**	**9.63**	**12.39**	**−22.27**	**1.82**	**2.95**	**2**	**30.6**
Total	**100.00**	**$662.37**	**$630.03**	**5.13**	**100.00**	**$161.73**	**83**	**24.4**

% of total store volume . . . 0.34%

*Adjusted to reflect the latest update of Bureau of Census figures.

above normal.

Although sales have been climbing about 12% over last year, a shift in usage is taking place. There is less eating out of hand, fewer raisins in cookies, cereal and salad and more raisins in nutrition packs and trail mixes. The turgid economy has caused another change: less volume in snack sizes and mini-packs, and more in 15-oz. cartons. The reason: Consumers are doing their own prepacking to save money.

Prunes: The newest TV commercial shows five people riding a giant prune box out of a "valley." The image seems appropriate: Although last year's crop was down 8% (to 120,000 tons), sales in supermarkets were up 8% to $171 million. Next year should be even better, when tonnage is expected to hit 145,000-155,000.

Apricots: Apricot prices have increased 40% in the past three years (10% in 1982) but sales remain steady because apricots have "special treat" status with consumers. Despite some rain damage, the 1982-83 crop still came in at 4,479 tons. Sales in supers were up 9% to $11.5 million.

Dates: The California date crop is estimated to be in excess of 40 million lb. ample for early shipments as well as general distribution. Imported dates, carrying a higher price tag, remain in tight supply.

Nutrition is the key to dates' promotional efforts, inasmuch as they're an excellent source of iron, potassium and niacin, and also contain all the essential amino acids. Last year saw sales in supermarkets climb a dramatic 63% to $23 million.

Figs: Although there was some rain damage to the 1982 crop, increased plantings provided a hedge, and the crop out-tonned the 1981 crop 9,600 tons to 9,340. If there is no crop damage in 1983, production is expected to increase 20%.

Rice: Following 1981's record crop (182,627 million cwt.), the 1982 crop weighed in at 145 million cwt. The reduction wasn't nature-induced but a cutback in acreage. The good news is that domestic consumption of rice has increased 4%-5% annually for the past four years. The bad news is that exports are down 60%. While the United States grows only 1.7% of the world's rice, it exports two-thirds of it to 110 countries.

In 1982, dollar volume declined 1%-2% because although tonnage was up, prices were down.

The fastest-growing type—faster growing than the category itself—is converted or par-boiled rice. An Uncle Ben's exec says it's because converted is less sticky and starchy than regular white rice and has good vitamin retention.

Rice has promoted its trump card—as a potato substitute—effectively. It's high in fiber, low in calories and has no cholesterol. However, even though potato consumption has decreased, its per capita lead over rice is still more than tenfold.

Another move by rice to cut into a traditional market is wild rice bread stuffing mix as a substitute for conventional stuffing. Rice-A-Roni, now in its second year with a rice stuffing mix, says its product has 10% of the stuffing market.

Another fast-growing segment in rice mixes is long grain and wild. Both Rice-A-Roni and Uncle Ben's are promoting hard. Rice-A-Roni recently came out with a new formulation it claims has more wild rice than its competitors.

Dried beans: Groggy but wiser, the dried bean industry is getting off a roller-coaster of supply and demand. It started several years ago when, as the result of a drought, Mexico wanted to buy the entire United States production of pinto beans. Anticipating continuation of this demand, United States growers doubled their acreage.

Then Mexico stopped buying because the devaluation of the peso wreaked havoc with its economy. The result was a surplus of beans in this country, with prices of pinto beans dropping more than 50%. In 1982, even with the rains, supplies were more than adequate. The bright side: Lower shelf prices of this protein-rich product in a recessionary economy may boost sales. ☐

'Lites' and pie fillings brighten an otherwise modest category growth

Sales of fruit packed in light syrup or fruit juice are up nearly 20%, and fruit fillings for pies soar a dramatic 65%

Canned fruit was taken "lite-ly" in 1982. There's no doubt about that. Products packed in light syrup or fruit juice helped keep the whole category from slumping. And pie fillings, which also saw the "lite" last fall, had an especially good year.

Lite fruit sales pushed 15%-20% over '81, with canners predicting the same kind of growth this year. Meantime, pie fruits and fruit fillings climbed 65% over '81, and cherries—an ingredient in 60% of pie fillings—showed a startling jump of 172% over 1981.

All those climbing figures contrast sharply to the modest 7¾% increase the canned fruit category registered as a whole.

For Del Monte, the per cent of lites packed has climbed from about 15% last year to nearer 25% this year. Packers of both Del Monte and Libby Lites say lites have been showing substantial growth for each year on the market.

"And it keeps getting better," say packers. Group product manager Rob Carey at California Canners and Growers, packers of both Libby Lites and the dietetic Diet Delight fruits, sees lite fruit as a real growth item. "We expect the good-sized sales jumps to keep on," he says. He adds that the booming lite sales temporarily cut into sales of Diet Delight fruits, but the situation has stabilized in the past six months.

The big sales jump in fruit pie filling and the companion jump in cherry sales are not related to the lite phenomenon. Although a major pie filling label—Comstock—brought out a lite line of fillings last September, the "lite" in this case isn't the primary factor in the outstanding sales of pie filling and cherries. That's due to a cherry harvest bigger than anyone can remember and a much-better-than-average apple and blueberry harvest. Apple, cherry and blueberry are the three favorite pie fillings.

Comstock's lite line of pie fillings is doing better than the company expected, but it's too early yet for comparisons or predictions, says the manufacturer.

The real surprise comes from the fact that pie fillings are one of the fastest-growing categories in the supermarket—a fact that seems to fly in the face of all the consumer-consciousness about calories and fitness. "It's because they're such a good buy," says Tom Stott, product manager for Michigan Fruit Canners, packers of Comstock and Thank You fillings.

Last year cherries became a bargain when a near-record crop overloaded canners and pushed retail prices below a $1 a can. (Generally they retail for $1.29-$1.39.) The '82 harvest yielded 11,000 tons; an average year yields 7,500 tons.

In an effort to sell its overloaded inventory, Michigan Fruit spent 30% more on advertising and promotion in 1982 than it did in 1981. And it expects to spend as much again in '83.

In 1982 Michigan Fruit enjoyed considerable success with ads featur-

Canned Fruit: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Pie Fruits & Fruit Fillings	6.69	$ 78.95	$ 47.78	65.24	8.12	$ 20.92	11	26.5
Applesauce	14.52	171.37	184.05	– 6.89	13.22	34.08	19	19.9
Plain	13.54	159.82	166.35	– 3.92	12.09	31.17	17	19.5
All Other Applesauce	0.98	11.55	17.70	– 34.74	1.13	2.91	2	25.2
Fruit Salad & Cocktail	12.24	144.42	148.65	– 2.84	11.06	28.49	14	19.7
Salad	1.96	23.11	30.08	– 23.16	1.50	3.86	2	16.7
Cocktail	10.28	121.31	118.57	2.31	9.56	24.63	12	20.3
Peaches	17.78	209.87	199.98	4.95	17.41	44.83	26	21.4
Cling Sliced	8.65	102.05	102.64	– 0.56	8.76	22.55	10	22.1
Cling Halves	3.10	36.58	47.78	– 23.43	2.77	7.13	7	19.5
Freestone/Elberta Slices	1.96	23.11	17.70	30.56	1.88	4.85	2	21.0
Freestone/Elberta Halves	2.77	32.73	10.62	208.19	2.67	6.87	3	21.0
All Other Peaches	1.30	15.40	21.24	– 27.49	1.33	3.42	4	22.2
Pineapple	17.46	206.03	212.37	– 2.98	17.31	44.61	26	21.6
Chunks	6.69	78.95	86.72	– 8.95	6.31	16.26	7	20.6
Crushed	4.89	57.76	67.25	– 14.10	4.93	12.71	8	22.0
Sliced	5.06	59.69	56.63	5.40	4.96	12.77	8	21.4
All Other Pineapple	0.82	9.63	1.77	444.07	1.11	2.86	3	29.7
Cherries	3.26	38.51	14.16	171.96	4.77	12.29	8	31.9
Berries	9.30	109.76	88.49	24.04	7.40	19.08	10	17.4
Cranberries & Cranberry Products	8.48	100.13	76.10	31.58	6.45	16.62	6	16.6
All Other Berries	0.82	9.63	12.39	– 22.27	0.95	2.46	4	25.5
Apples	1.63	19.25	5.31	262.52	1.88	4.83	4	25.1
Apricots	2.45	28.88	30.08	– 3.99	2.59	6.67	5	23.1
Citrus	3.59	42.36	46.01	– 7.92	3.90	10.04	4	23.7
Figs	0.49	5.78	3.54	63.28	0.56	1.43	1	24.8
Pears	7.01	82.80	88.49	– 6.42	7.62	19.62	12	23.7
Plums & Prunes	1.79	21.18	12.39	70.94	2.03	5.23	3	24.7
All Other Fruit	1.79	21.18	14.16	49.58	2.13	5.49	5	25.9
Total	100.00	$1,180.34	$1,095.46	7.75	100.00	$257.60	148	21.8

% of total store volume . . . 0.61%

*Adjusted to reflect the latest update of Bureau of Census figures.

ing recipes, rebates and tie-in purchases with products such as Pillsbury's All Ready Pie Crusts and Kraft's La Creme.

Other advertising and promotion showed the consumer the different uses for canned pie fillings—as puddings, cakes, toppings for pancakes or ice cream, or fillings for crepes.

The extra dollars that went into the promotion and ads paid off. It was a record year for Michigan Fruit Canners. "We gained five more market share points," says Stott, adding that it looks like this will be an average crop year in Michigan, where cherries are one of the biggest cash crops.

If the cherry crop had had a chance to outdo itself again this year, Mother Nature squelched it. Some real warm days in February, Stott explains, brought some buds out—buds that were done in by frost a few days later.

Canned fruit in general has gotten back to being a pretty good value for the consumer, but she doesn't seem to believe it. A source at California Canners & Growers says canned fruit prices across the board are lower than 20 years ago when they're adjusted for inflation. But shoppers still think of canned fruit as expensive.

Due to a combination of factors, canned food prices rose much faster in the 1970's than prices for other foods. For two of those years, canned fruit prices went up at a faster clip than fresh fruit prices. That's what some canners say is responsible for an 18% decline in per capita consumption of canned fruits during the last half of that decade.

Fruit canners generally admit that any future growth in the category as a whole will be linked to population growth. So there's good reason to put money on the lites. While population growth is slowing down, people are becoming more and more health-conscious and will be raising their kids that way, too.

And there's still the South to win over. While retailers on the East and West Coasts, and even smack in the middle of America, are devoting from 20% to 50% of their canned fruit shelf facing to the lites, it's a different story in the South. A source at a Georgia-based chain says, "Lites just don't sell. I guess people aren't willing to pay the extra cents." He devotes less than 5% of his canned fruit shelf space to lites. ☐

No-salt veggies shake the shelves

They're doing great, without pulling sales away from frozen or fresh, and sometimes even increasing sales of regulars

Canned vegetables were awakened in '82, and the credit must go to a bunch of unseasoned upstarts—the no salts. There was apparently no cannibalizing; the no-salts made a name for themselves, and in many places gave the whole shelf a shove. Even manufacturers say they didn't expect that.

It could be that the media push that accompanied the no-salt vegetables to the retail shelf reminded consumers that canned vegetables do exist. But there's actually no evidence that anyone was pulled away from frozen or fresh.

"We don't know where they're coming from," says a Stop & Shop source, "but we like to think we brought new shoppers into the store."

It's possible. Stop & Shop, a pioneer in private labeling no-salt, chose to dramatically introduce its no-salt vegetables with a big media push and lots of promotion.

Another retailer has a different theory. He thinks the shopper who had been buying no- or low-salt vegetables in the dietetic section is now taking them off the regular shelf, so it's convenient for her to also pick up a regular can for family members who aren't cutting out salt.

Del Monte reports that unit sales of its regular canned vegetables—which usually stay flat or dip slightly from year to year—are up 2% for the first four months of this year over the same period last year. It took its no-salt vegetables onto national TV late last year and into general interest magazines like *People* and regionals like *Southern Living*. "Nobody had advertised canned vegetables on television in years," says Del Monte marketing vice president Stephen Rothschild. Billboards were also part of the campaign on the West Coast and in the Southeast.

No-salt vegetables made their appearance on retail shelves in 1981, but they didn't dig their heels in until 1982, when Del Monte and Libby got into the act.

Private label came first. And it was Stop & Shop that was the first on the East Coast to go into no-salts in a big way. Then Jewel T led the way in the Midwest. And last year Del Monte and Libby raced to the shelves with their no-salts.

While the two big labels say sales are better than predicted, they went national so late in '82 that neither one has significant figures to compare at this point.

But Chuck Rothfus, retail sales manager at Seneca Foods—packers of private label vegetables—says his business in no-salts has doubled from 1981 to 1982. Seneca started out packing just corn, peas and beans no-salt, and has since added three others. Rothfus says that by now over 50% of private label packers are putting out a no-salt line.

Chris Filardo, Stop & Shop consumer affairs director, says the chain sold its whole year's pack of private label no-salts within three months after their debut. And she says 1982 was about twice as good as '81.

Libby's sources say sales are going well. And Del Monte's Rothschild is more specific. "Del Monte's no-salts are doing 25% better than what we expected when we began to roll them out last year," he says. "We see this line as a real growth item. It's a $45 million segment for us already, and we expect by next year it'll be a $100 million segment."

Stop & Shop's private label no-salts are selling at 60% the rate of their regulars, and sources there say they expect the gap to close even more. Some retailers have predicted that the no-salts will catch up with the regular veggies and maybe even overtake them. But that's certainly not true in the South. A source for one southern-based chain says the brand label no-salt vegetables he's carrying are doing "just awful." They received about 15% of the canned vegetable facings—and he's sorry.

"We're in the process of cutting the space back to about 5%," he adds. He expects to keep corn and beans and maybe one size tomato sauce, and he doesn't plan to add any other kinds of no-salt items.

But back in the Northeast, Stop & Shop is devoting 40% of its canned vegetable space to no-salts, while Jewel T in the Midwest is devoting 30%-40%, depending on the store. When Jewel made the decision to go with private label no-salt veggies, management made a commitment: (1) to put them on the shelf with their regular counterparts, (2) to price them the same as the regulars and (3) to put them on sale when the regulars go on sale. Jewel added more shelf space rather than take any away from the regulars.

Side by side with the regulars makes sense, says Stop & Shop's Filardo. "If you put them in the dietetic section, you automatically make the statement that they're for people on special or medically restricted diets," she explains—"people who have to restrict their salt intake. But they're for people who just want to eat less salt."

Stop & Shop is carrying six of the most popular vegetables in no-salt and plans to add more. They've already added other no-salt items with the same happy results the veggies are bringing—chips, bread, butter, and peanut butter, among others.

Del Monte is presently carrying

Canned Vegetables: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Baked Beans	11.58	$ 310.00	$ 276.08	12.29	10.81	$ 59.05	22	19.0
With Pork	7.48	200.25	178.74	12.03	7.18	39.25	13	19.6
With Franks or Other Meat	0.29	7.70	7.08	8.76	0.33	1.79	1	23.2
Barbecued	0.14	3.85	5.31	−27.49	0.17	0.92	1	24.0
Vegetarian	0.50	13.48	12.39	8.80	0.43	2.35	1	17.4
Plain	3.17	84.72	72.56	16.76	2.70	14.74	6	17.4
Beans	16.02	429.39	430.04	− 0.14	18.16	99.06	61	23.1
Green	8.18	219.51	214.13	2.51	9.35	50.93	27	23.2
Lima	0.94	25.03	24.78	1.01	1.05	5.73	5	22.9
Wax	0.50	13.48	14.16	− 4.79	0.57	3.14	4	23.3
Kidney	1.94	51.99	54.86	− 5.22	2.16	11.80	6	22.7
All Other Beans & Bean Combos	4.46	119.38	122.11	− 2.23	5.03	27.46	19	23.0
Peas	7.56	202.18	178.75	13.11	7.93	43.33	22	21.4
Regular Green	6.12	163.67	138.04	18.57	6.23	34.04	16	20.8
Blackeyed & Field	0.43	11.55	15.93	−27.49	0.49	2.68	2	23.2
All Other Peas	1.01	26.98	24.78	8.80	1.21	6.61	4	24.5
Corn	11.15	298.44	274.31	8.80	9.40	51.37	26	17.2
Whole Kernel	7.77	207.95	185.82	11.91	6.17	33.69	15	16.2
Cream Style	2.66	71.24	65.48	8.80	2.50	13.68	7	19.2
All Other Corn	0.72	19.25	23.01	−16.33	0.73	4.00	4	20.8
Tomatoes	12.16	325.41	336.24	− 3.21	11.33	61.92	24	19.0
Regular	6.26	167.52	171.66	− 2.40	5.89	32.16	12	19.2
Italian	2.09	55.84	51.32	8.81	2.06	11.28	4	20.2
All Other Tomatoes	3.81	102.05	113.26	− 9.89	3.38	18.47	8	18.1
Tomato Products	15.83	423.60	399.95	5.91	12.77	69.78	28	16.5
Sauce	7.27	194.47	228.29	−14.80	5.27	28.78	14	14.8
Paste	6.47	173.29	122.11	41.91	5.58	30.50	10	17.6
Puree	2.09	55.84	49.55	12.69	1.92	10.50	4	18.8
Beets	2.37	63.54	60.17	5.60	2.92	15.95	17	25.1
Asparagus	3.09	82.60	77.87	6.33	3.41	18.63	7	22.5
Cabbage	0.43	11.55	10.62	8.76	0.48	2.65	2	22.9
Carrots	1.30	34.68	24.78	39.87	1.50	8.21	8	23.7
Mixed Vegetables	1.01	26.98	24.78	8.80	1.10	5.99	6	22.2
Mushrooms	6.69	179.07	155.73	14.99	7.47	40.83	17	22.8
Onions	0.94	25.03	23.01	8.78	1.10	6.01	2	24.0
Carrots & Peas	0.58	15.40	15.93	− 3.32	0.64	3.48	4	22.6
White Potatoes	1.01	26.95	31.85	−15.34	1.12	6.12	4	22.7
Pumpkin	1.08	28.88	24.78	16.55	1.13	6.18	3	21.4
Sauerkraut	1.51	40.44	37.16	8.83	1.81	9.91	7	24.5
Spinach	1.37	36.58	33.62	8.80	1.61	8.82	6	24.1
Squash & Zucchini	0.22	5.78	8.85	−34.68	0.25	1.38	1	23.8
Yams & Sweet Potatoes	1.65	44.29	51.32	−13.69	1.96	10.72	5	24.2
All Other Canned Vegetables	2.45	65.47	51.32	27.57	3.10	16.96	13	25.9
Total	100.00	$2,676.43	$2,527.16	5.91	100.00	$546.31	285	20.4

% of total store volume . . . 1.39%

*Adjusted to reflect the latest update of Bureau of Census figures.

14 no-salt products and expects to add more.

S. S. Pierce, the company that now has the Libby vegetable trademark, has made the ultimate commitment. It's systematically replacing 80% of the Libby canned vegetables with the Natural Pack, which has no salt and no sugar. It's the first national brand to do that.

No one variable quite explains why Chicago Dietetic, which has been packing Featherweight low-sodium vegetables for the past 20 years, should have had such a tonnage jump last year. Featherweight low-sodium vegetables showed a 28%-30% increase in unit movement over '81. It could have been other brand label advertising or just the consumer's health-consciousness.

In regular canned vegetables, no one is reporting any outstanding trends in subcategories. Baked bean increases over last year could be the result of the economy. Whole kernel corn is probably up because 82's pack came on the heels of a short pack year in '81. ☐

Deli: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Cheese	21.87	$1,444.12	$1,359.63	6.28	22.65	$ 404.35	0	28.0
Hot Prepared Foods	10.50	693.18	658.23	5.31	9.71	173.30	0	25.0
Salads	11.37	750.94	695.39	7.99	11.78	210.26	0	28.0
Fresh & Smoked Fish	6.71	442.88	406.93	8.83	7.44	132.86	0	30.0
Non-Kosher Meat	39.35	2,599.41	2,397.84	8.41	37.85	675.85	0	26.0
Kosher Meat	10.20	673.92	631.68	6.69	10.57	168.70	0	28.0
Total	100.00	$6,604.43	$6,149.10	7.40	100.00	$1,785.32	0	27.0

% of total store volume . . . 3.43%

*Adjusted to reflect the latest update of Bureau of Census figures.

Economy slows growth, but future looks solid

Expansion is in the offing as manufacturers turn out new lines and more retailers enter this specialized category

Although deli sales registered a relatively modest 7.4% sales gain last year, the category grew little when measured against an estimated 10% increase in service area sales. This is partially attributable to the economy, which turned many shoppers away from the more expensive convenience food items.

However, the category's growth potential still seems promising, especially since these sections have yet to significantly penetrate vast areas of the country.

A survey just completed for the International Cheese and Deli Association projects that the wholesale value of products which supers buy for in-store delis will skyrocket by 1987.

While service delis have now found their way into about 80% of all Northeast supermarkets, they're in only 6%-9% of stores in the Northwest. They have also caught on very well in southern California, with about 65% penetration; a few hundred miles to the north in San Francisco, however, only about 10% of supermarket shoppers can order a ham and cheese sandwich.

As a result of some aggressive food chain merchandising programs in Texas, delis have become very popular in about 60% of the Lone Star State's stores. In other sections of the Sunbelt, the figure comes in at around 30%, except in southern Florida where the Northeast influence has made the deli section a necessity for most store operators.

kosher products
Tide

Just as these sections vary in popularity in various regions, so too do the numbers and varieties they offer their shoppers. Whereas one Northeast deli manager can turn over 300 cold cuts, cheese and salads several times a week, another store operator in Brownsville, Tex., limits his deli department to a rotisserie that heats chicken and roast beef.

Even though these may be extremes, retailers are nevertheless very sensitive to fine-tuning their deli sections to mesh with regional ethnic mixes and local preferences.

Albertson's, Dominick's, Jewel, Kroger and Safeway are just a few of the chains currently chartering virgin territories within their trading areas, and in many instances just starting to strike it rich, according to industry sources.

But most retailers are reluctant to discuss their specific plans, as the introduction of a successful deli operation in an untapped market not

only reaps lucrative margins, but is also the trend-setter in that area.

Just how lucrative service delis can become is best illustrated by New York-based MelMarkets, which put in deli units ranging from 28 to 75 running feet when it began operations 12 years ago.

"We bring in about a quarter million dollars a week, and that represents about 12% of our overall gross," says Harvey Cohen, deli director for the 15-store chain in suburban Nassau County, New York.

"Working people no longer want to cook, and they're looking for a convenient way out," he adds. This trend has been especially prevalent in MelMarkets' trading area, where working mothers consider the deli a popular time-saving alternative.

Best sellers: As for the top items in the deli case, a recent study showed ham, swiss cheese, potato salad and prepared chicken the favorites. Jarlsberg and Havarti continued as imported cheese best sellers. These preferences applied uniformly across the country.

The sodium controversy has dramatically boosted sales of no-salt, low-salt and no-salt-added cheese. For MelMarkets, it rose from 5% of the segment last year to about 20% this year.

Although 75% of the cheese sold in this country is domestically produced, shoppers will often spend a few cents extra for the imported variety. The trend has led producers to put out imitations. Last year Besnier USA began to manufacture its Brie in Wisconsin and soon plans to have it in 15 markets.

Service delis currently account for about 8% of all supermarket cheese sales but that figure is expected to go up to about 9% by 1985.

In the meat segment, manufacturers are not only trying to turn out carbon copies of products with foreign origins, but are also targeting markets where the ethnic mix would be most receptive to the new line.

Along these lines, Hormel undertook an extensive market research program of Italian neighborhoods in the New York City area before it came out with its DiLuso brand 9- and 12-lb. Genoa salami this month.

The manufacturer took a somewhat broader approach with its Homeland hard salami, which was introduced in late February in markets known as the "hard salami belt," according to marketing director Tom Purcell. These include industrialized cities in the Great Lakes area, plus the New York and Philadelphia markets, where the ethnic background of many shoppers matches the central European origins of this sausage product.

Cudahy also made a move in February with the introduction of a "different Italian-flavored ham," according to advertising sales promotion manager Tom Shannon. The new product, seasoned with 12 "Italian" spices, is now available in the Northeast, southern California and a few Safeways in the Dallas and Tulsa areas.

The company was also set to come out in June with a new chopped ham with cheese product.

The steady increase in service delis has become a windfall of sorts for manufacturers. Cudahy, which did about 10% of its business with chains two years ago, now estimates that figure in the 20%-25% range.

Kosher expands: Kosher meat manufacturers have broken out of their ethnic mold of catering only to a primarily Jewish clientele, and they've done it with aggressive promotion in their strongest markets.

"We spend between $2 million and $3 million in advertising annually," says Dick Gardiner, vice president for marketing and sales at Hebrew National. The general media campaign has paid off: Over 70% of the franks the company sells in the New York City area are purchased by non-Jewish customers.

Hebrew National, the market leader in the Boston-to-Washington megalopolis, has also put its products into the Cleveland, Dallas, Houston, Los Angeles, Miami, Phoenix and Tucson markets.

"As soon as our distribution volume warrants it, we'll go on TV in those cities," says Gardiner. He adds that Hebrew National is trying to break into several Midwest markets, where it is up against the established Best Kosher brand.

Hebrew National is also building a brand identity by print vacuum-packing random-weight franks, sliced bologna and sliced salami, which Pathmark and Giant Food are currently selling in their self-service delis. ☐

Snacks: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Snacks	100.00	$2,390.64	$2,154.90	10.94	100.00	$698.57	41	29.2
Potato Chips	50.18	1,199.47	1,090.04	10.04	50.66	353.84	4	29.5
Fabricated Snacks	3.30	78.95	67.15	17.57	2.97	20.76	8	26.3
Corn-Tortilla Chips	30.95	739.91	672.39	10.04	29.97	209.40	4	28.3
Pretzels	9.33	223.11	212.26	5.11	10.03	70.06	4	31.4
Popcorn	3.18	76.03	51.22	48.44	3.42	23.87	4	31.4
All Other	3.06	73.17	61.84	18.32	2.95	20.63	17	28.2
Total	100.00	$2,390.64	$2,154.90	10.94	100.00	$698.57	41	29.2

% of total store volume . . . 1.24%

*Adjusted to reflect the latest update of Bureau of Census figures.

Low-fat chips capture new snack eaters

Borden's technology for low-fat chips breaks new ground; popped popcorn is the fastest mover, with explosive 48% growth

Invent a better potato chip and the world will beat a path to your door? That's what Borden's snacks group is banking on with its Lite-Line Snacks from Wise, a major new entry into the $2.39 billion snacks category, which grew a respectable 10.9% last year.

In limited distribution in parts of New York, the Carolinas, Florida and Ohio, Wise's Lite-Line potato chips, tortilla chips and cheese curls are the first "reduced-fat" snacks to be mass-distributed in supermarkets. The manufacturing process, which requires less cooking oil than regular snacks, took five years to develop.

Wise's entries into the $16 billion "light and natural" arena contain one-third less fat and fewer calories than regular snacks, says Ed Rutland, senior products manager for the Columbus, Ohio-based division.

Borden, which hopes to increase its sales by as much as 10% with its Lite Line entries, also expects to create incremental sales for the entire category. Trading on the success of its Lite Line cheese (market leader in the reduced-calorie cheese field) and reaping the benefits of a $10 million promotional campaign (the division's most ambitious to date), the product has already expanded some snack departments by 10%. Facings are up an average of four to five per Lite Line product since its March introduction, Rutland claims.

The word "light" on a bag of potato chips is nothing new, but until now the claim had only referred to "reduced salt," not "reduced fat." More than 50 manufacturers in the regionalized snack-food industry already produce a reduced-salt chip.

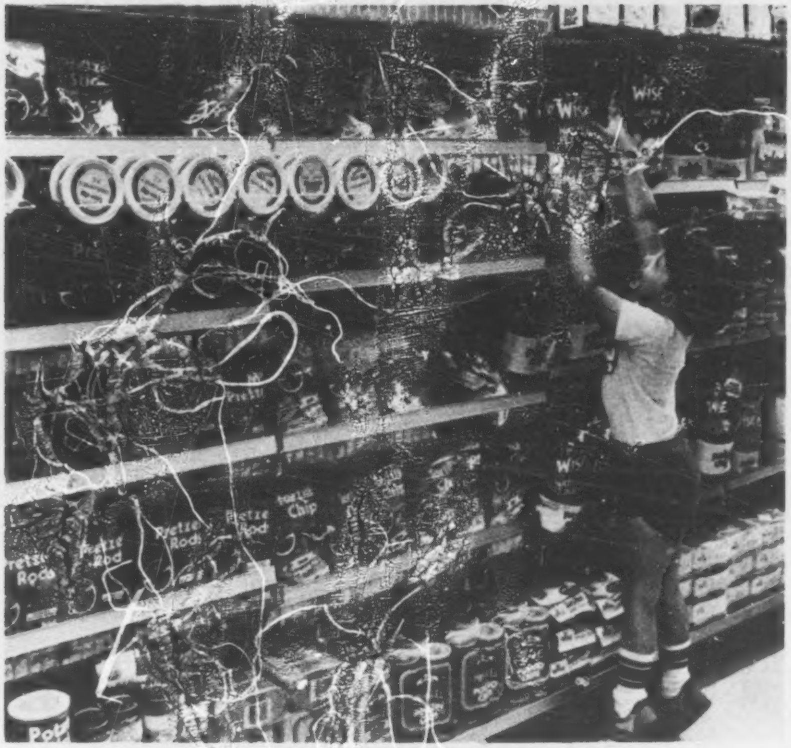
In fact, one strong regional Tacoma, Wash.-based Nalley's Snacks, has taken first place among low-sodium chips in the Northwest with its new Golden Light Potato Chips.

Introduced last August in Oregon, Washington, Alabama, Idaho and Montana, Golden Light's launch was supported with only minimal newspaper advertising. Earle Ingalls, director of the snack and chip operation, believes that most of the product's success, has come from a change in lifestyles and dietary habits.

In-store sampling and trial-size packages have cut down consumer resistance to the sunflower oil-fried chip. "Low-salt is growing fast," says Ingalls, who anticipates continued double-digit growth next year in the "immature, developing" market.

Frito-Lay, the only national snacks manufacturer, is one of the last to climb aboard the reduced-salt bandwagon. The manufacturer began expanding distribution of its "no Salt Added" potato chips this June, but before that the product had been limited to testing in Dallas.

According to marketing vice president John Cranor, Frito-Lay plans no immediate response to the reduced-fat chip. With more than one-third of all supermarket sales of potato chips under its belt, the Dallas-based manufacturer relies instead on its momentum as market leader. Logging sales now in excess of $1 billion, Frito-Lay is also the industry's most aggressive advertiser, with expenditures averaging about $40 million a year.



In total, sales for the potato chip segment of the snacks category climbed 10% in 1982 to $1.2 billion. Supermarkets now account for about half of all snack sales.

Meanwhile, bagged popcorn, while still a small part of the $2.39 billion category, was last year's fastest-growing snack with a 48.4% jump in sales to $76 million.

Slowing from their explosive growth in the late 1970's, corn and tortilla chips still grew 10% last year to remain the snack department's second best seller, with 1982 sales hitting $739.9 million. Pretzels, again flat with only 5.1% sales growth, grabbed 9.3% of snack department sales.

Another growth area is flavored potato chips. Buckeye's ketchup-flavored "Cat Chips," introduced less than a year ago, has become the Ohio-based chipmaker's second best-selling flavored chip just behind barbecue in Cleveland, Columbus and parts of Kentucky. Oakland, Calif.-based Granny Goose has spread distribution of its Hawaiian-style chips from the West Coast into Boston, New York and Florida. Tocoma-based Nalley's has brought out a "picadilly" chip with a spicy flavor.

Corn and tortilla chips: M&M/Mars has a new hybrid snack that should provide some competition for traditional corn and tortilla chips: Cornquistos, in limited distribution in Oklahoma and Cincinnati. The product, which has a soft cheese filling inside a crunchy corn shell, is reminiscent of M&M/Mars' Combos, which have flavored filling inside a pretzel shell. Cornquistos come in two flavors, nacho and spicy picante.

The biggest growth area in corn/tortilla chips is still the round chip, led by Frito-Lay's Doritos. In January Frito-Lay changed the name of its Dorito "Lights" to "Extra Crispy," to better reflect the formulation of the product—it's crispier, not lower in calories. The name has been effected slowly—first in New England, North Carolina, and Southeast and mid-Central states.

Popcorn: For decades the stepchild of the snack field, popped popcorn has begun to reap some of the benefits generated by America's wide acceptance of the low-calorie, high-protein snack. Popcorn consumption has nearly doubled in the last decade, according to the Popcorn Institute.

In supermarkets last year sales of popped popcorn skyrocketed 48.4% to $76 million to be the fastest-growing snacks food segment. One company, Portland, Ore.-based Poppers Supply, bears watching as its innovative packaging could revolutionize popped popcorn in supermarkets.

Launched seven years ago in only a few scattered northwestern markets, Poppers Popcorn has spread slowly into West Coast markets. Recently, however, Poppers has gained the attention of major chains, including Safeway, in its push into southern California. Distribution will spread to Chicago and Boston this fall, says Poppers Supply president Vern Ryles.

The secret to Poppers Popcorn's success—sales have tripled since 1977—is its packaging. "The reason popped popcorn sales were so bad is because the product was poor," Ryles says. "It's always been packaged in cellophane or polyethylene bags, which lets in light that oxidizes the oil inside."

Poppers bags its popped corn in multicoated 6-oz. foil-lined bags that have increased shelf life to six months, according to Ryles. His product is packed in a "dry, neutral environment" that also safeguards proper moisture content.

Poppers offers two types of corn: salted and flavored. Salted corn varieties are jalapeno, cheese and spice, cheese, barbecue, taco, buttered, regular and sour cream and onion. There are over 50 confectionery flavors.

Retail acceptance has been good, says Ryles, who points out that top-volume Safeway stores have increased facings from two to seven-nine, boosting shelf space from 18 in. to 7 ft.-8 ft. A Portland, Ore., independent grocer has also achieved dramatic success with the product; as many as 40 cases per month move through his $300,000-a-week unit.

Flavored popcorn has been around a long time in food stores, as Borden's Cracker Jack division would point out. However, Cracker Jack has been sold in the confectionery sections of supermarkets until this year. Borden began testing a "family size" 10½-oz. plastic tub of Cracker Jack, first in Houston and Grand Rapids before expanding into the Central States. Launch advertising included Sunday inserts with an estimated $12 million in couponing.

And in the Northwest, Nalley's introduced its first popcorn item, a line extension of its extruded cheese puff line. The cheese-flavored bagged popcorn, to be launched this month, is called Cheeze-Pleezers. ☐

Shelf-stable desserts suffer as frozen varieties offer shoppers more convenience

Quick comeback not likely thanks to declining birth rate, increased preference for eating out and new frozen desserts

A good thing doesn't last forever. That axiom couldn't be truer than in the ailing dessert aisle as population shifts, changing lifestyles and competition from refrigerated and frozen desserts forced shelf-stable desserts to suffer a nearly 6% sales decline last year.

Industry sources believe that the development of new categories such as granola snacks, an increase in restaurant dining and a declining birth rate are forcing manufacturers to shift their priorities from their traditional packaged lines, which require some home preparation, toward new ready-to-serve products sold in freezer and refrigerated cases.

This is particularly evident in General Foods' Jello-O line. The company, which has a 75% share of the market, responded to a 10% sales decline in the gelatin segment last year by rolling out several novelty items.

"Jell-O pudding pops are already a $100 million business," notes spokesman Judy Klein of the frozen pudding-on-a-stick that was unveiled nationally in March. Jell-O gelatin pops went into Cincinnati and Salt Lake City last year, and shoppers in Boise are now getting their first look at a Jell-O fruit and cream dessert bar.

Back on the shelf, General Foods is preparing to give its established line a shot in the arm with a special shaker promotion to be launched this fall. The campaign, which will include TV and print advertising support, will give the shaker (designed to help the consumer prepare the pudding) to any shopper who buys three boxes of Jell-O.

Royal, which has approximately a 15% share of the market, is also embarking on a "consumer-oriented marketing program," designed to reverse the erosion of sales. Royal says the promotion will include new products supported with vigorous ads and coupons.

Desserts & Toppings: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Gelatin	**29.18**	**$157.90**	**$174.90**	**– 9.71**	**27.17**	**$ 33.74**	**37**	**21.4**
Flavored	25.62	138.64	155.63	– 10.91	23.66	29.39	33	21.2
Unflavored	2.49	13.48	14.06	– 4.12	2.37	2.94	3	21.8
Drinks	1.07	5.78	5.21	10.94	1.14	1.41	1	24.4
Pudding & Pie Filling Mixes	**35.23**	**190.62**	**192.41**	**– 0.92**	**33.49**	**41.60**	**43**	**21.8**
Pudding & Pie Filling	17.44	94.35	74.23	27.10	16.48	20.47	23	21.7
Instant Pudding	13.17	71.24	74.23	– 4.02	12.39	15.39	15	21.6
Pie Filling	1.42	7.70	24.68	– 68.79	1.41	1.75	2	22.7
Refrigerated Pie Mixes	2.49	13.48	12.29	9.68	2.39	2.97	2	22.0
Egg Custard	0.71	3.85	6.98	– 44.83	0.82	1.02	1	26.6
Whipped Desserts	**1.78**	**9.63**	**3.44**	**179.94**	**2.38**	**2.96**	**3**	**30.7**
Topping Mixes	**1.78**	**9.63**	**19.37**	**– 50.27**	**2.04**	**2.53**	**3**	**26.3**
Prepared Toppings [Not Frosting]	**13.53**	**73.17**	**81.21**	**– 9.89**	**15.17**	**18.84**	**15**	**25.7**
Chocolate	7.12	38.51	54.76	– 29.66	7.97	9.90	6	25.7
All Other	6.41	34.66	26.45	31.04	7.20	8.94	9	25.8
Canned Puddings	**1.42**	**7.70**	**10.52**	**– 26.80**	**1.52**	**1.89**	**3**	**24.6**
Individual Servings Canned Pudding & Fruit	**7.47**	**40.44**	**42.37**	**– 4.55**	**7.46**	**9.26**	**9**	**22.9**
Rennet	**0.35**	**1.93**	**5.21**	**– 62.95**	**0.45**	**0.57**	**1**	**29.3**
Maraschino Cherries	**4.98**	**26.96**	**22.91**	**17.68**	**6.03**	**7.50**	**4**	**27.8**
Mince Meat	**1.42**	**7.70**	**8.75**	**– 11.90**	**1.54**	**1.92**	**2**	**24.9**
Tapioca [Dry]	**1.78**	**9.63**	**8.75**	**10.06**	**1.68**	**2.09**	**1**	**21.7**
All Other Desserts & Dessert Mixes	**1.07**	**5.78**	**5.21**	**10.94**	**1.07**	**1.32**	**2**	**22.9**
Total	**100.00**	**$541.09**	**$575.05**	**– 5.99**	**100.00**	**$124.22**	**123**	**23.0**

% of total store volume . . . 0.28%

*Adjusted to reflect the latest update of Bureau of Census figures.

Unit Movement

The following chart shows each dessert & topping category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Gelatin	263	42.42
Flavored	250	40.33
Unflavored	11	1.77
Drinks	2	0.32
Pudding & Pie Filling Mixes	235	37.91
Pudding & Pie Filling	113	18.23
Instant Pudding	108	17.42
Pie Filling	5	0.81
Refrigerated Pie Mixes	6	0.97
Egg Custard	3	0.48
Whipped Desserts	6	0.97
Topping Mixes	6	0.97
Prepared Toppings [Not Frosting]	50	8.06
Chocolate	26	4.19
All Other	24	3.87
Canned Puddings	5	0.81
Individual-Serving Canned Pudding & Fruit	25	4.03
Rennet	1	0.16
Maraschino Cherries	18	2.90
Mince Meat	2	0.32
Tapioca [Dry]	6	0.97
All Other Desserts & Dessert Mixes	3	0.48
Total	620	100.00

Along these lines, Nabisco started testing Tembleque, a coconut dessert earlier this year. The packaged pudding, which is being boosted via print exposure, is already performing better than original projections. Company sources say that in some markets it is outselling Jell-O. Mayfair Super Markets' Anthony Kluxen wouldn't quite go that far, but he did say that the product was selling well, particularly in Hispanic neighborhoods.

Another new Nabisco entry is the Royal No-Bake Chocolate Mint Pie. The 9-oz. product, which got its first national exposure last summer, is a do-it-yourself packaged dessert containing a crumb crust, chocolate filling and mint topping. "We're doing all right with the product," says Hannaford Brothers' John Michael, although it's been running a weak third behind Jell-O Cheese Cake and Royal No-Bake Cheese Cake.

Toppings: In a continuing downward slide in 1982, toppings appear to be headed in the same direction this year. Larry Murak, who purchases the category for Hannaford, is able to move only 60 cases a week of the single nine-flavor brand he carries in his 115-store chain. Nevertheless, the line is a small moneymaker with 26%-38% margins.

"People no longer want to take the time to make sundaes at home," says Murak. "They would rather buy it out."

The high hopes Smuckers had for its reformulated Magic Shell have apparently been dashed. "It initially took off like a rocket," observes Vern Buford, Randall's grocery merchandiser. "Our sales are now below average because the repeat sales just aren't there."

"Lousy" is the term Hannaford's Michaels uses to describe sales of the topping that hardens when put on ice cream. Hannaford moves only about 50 cases a week, and Michaels feels that a high retail ticket and an inability to refrigerate the product are its major drawbacks.

In an attempt to snare a bigger share of the spoonable segment, Smuckers put into national distribution last November a hot caramel topping, designed to complement its hot fudge line. Sold in 12-oz. jars, the new topping is getting print ad support.

Kraft is basically sitting still with its eight ice cream toppings, giving them some couponing and in-store promotional support. ☐

Coffee drinking comes of age; iced tea logs a hot year

The 'graying of America' has a positive impact on coffee sales; the trend to convenience improves turns of iced tea products

We continued to drink fewer cups of coffee as individuals in 1982, but industry sources are cautiously optimistic that the category's 20-year consumption slide may soon turn the corner.

Dollar sales figures registered a modest 7.7% increase, but significantly the growth came during a period when green bean prices remained relatively stable.

Also, overall per capita usage dropped only slightly after falling off about 5% in 1981. Observers believe this may in part be due to a rise in the median age, which now stands at around 30, the point at which consumption increases dramatically. In fact, the International Coffee Organization's 1982 consumption study shows that among users in the 20-29 age bracket—a group manufacturers targeted this past year in their advertising campaigns, and one that could pay handsome dividends in years to come—coffee drinking has increased 7%-8% in the past year.

More attention is also being drawn to the category by virtue of the competition heating up among the major players. General Foods and Procter & Gamble, the two leading manufacturers of regular coffee, both have a new ground coffee mix packed in 13- and 16-oz. vacuum-sealed bags. Introduced last March in an area stretching from Mississippi to the Carolinas, the bags are designed to ensure the same freshness as the canned product.

In the decaffeinated segment, sales increased 15% last year, causing manufacturers to aggressively fight for even bigger shares of this

Coffee: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Specialty Coffees	**3.49**	**$ 114.20**	**$ 73.67**	**55.02**	**4.50**	**$ 16.79**	**7**	**14.7**
Ground & Whole Bean Coffee	**55.70**	**1,822.73**	**1,648.84**	**10.55**	**41.78**	**155.85**	**44**	**8.5**
Drip	17.38	568.74	534.46	6.41	12.34	46.07	10	8.1
Fine	1.61	52.69	56.39	− 6.55	1.51	5.64	1	10.7
Regular	12.96	424.10	378.03	12.19	9.44	35.20	12	8.3
Electric Percolator	9.19	300.73	261.92	14.82	7.26	27.07	9	9.0
All-Purpose	4.15	135.81	78.21	73.65	2.95	11.00	2	8.1
Decaffeinated Ground/ Whole Bean Coffee	7.59	248.38	239.79	3.58	5.93	22.11	7	8.9
Flaked Coffee	2.82	92.28	100.04	− 7.75	2.35	8.77	3	9.5
Coffee Creamers [Powdered]	**4.32**	**141.37**	**132.78**	**6.47**	**8.50**	**31.67**	**10**	**22.4**
3 oz.-8 oz.	0.44	14.40	13.94	3.30	0.93	3.46	1	24.0
9 oz.-13 oz.	0.78	25.52	21.83	16.90	1.61	6.00	2	23.5
Over 13 oz.	3.10	101.45	97.01	4.58	5.96	22.22	7	21.9
Instant Coffee	**25.08**	**820.73**	**777.59**	**5.55**	**28.82**	**107.56**	**30**	**13.1**
2 oz.	1.99	65.12	43.96	48.13	2.86	10.68	4	16.4
4 oz.	1.38	45.16	29.71	52.00	2.02	7.54	4	16.7
6 oz.	3.27	107.01	98.83	8.28	3.84	14.34	3	13.4
8 oz.	3.21	105.05	60.93	72.41	3.60	13.45	4	12.8
10 oz.-16 oz.	6.15	201.25	219.48	− 8.30	5.18	19.32	4	9.6
All Other Sizes of Instant Coffee	0.22	7.20	18.80	−61.69	0.44	1.64	1	22.8
Decaffeinated Instant Coffee	8.86	289.94	305.88	− 5.20	10.88	40.59	10	14.0
Freeze Dried Coffee	**9.86**	**322.66**	**351.05**	**− 8.08**	**10.89**	**40.66**	**10**	**12.6**
Regular—All Sizes	5.26	172.13	227.36	−24.28	5.81	21.69	5	12.6
Decaffeinated—All Sizes	4.60	150.53	123.69	21.70	5.08	18.97	5	12.6
Coffee Filters	**1.55**	**50.72**	**46.99**	**7.94**	**5.51**	**20.54**	**7**	**40.5**
Total	**100.00**	**$3,272.41**	**$3,030.92**	**7.97**	**100.00**	**$373.06**	**108**	**11.4**

% of total store volume . . . 1.70%

*Adjusted to reflect the latest update of Bureau of Census figures.

Tea: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Tea Bags	**54.62**	**$383.82**	**$382.82**	**0.26**	**48.36**	**$ 82.62**	**29**	**21.5**
16-Count	8.59	53.91	56.05	– 3.81	9.82	14.23	10	26.4
48-Count	8.59	53.91	56.05	– 3.81	7.74	11.21	2	20.8
100-Count	24.85	155.96	161.22	– 3.25	17.01	24.64	5	15.8
All Other Tea Bag Counts	11.04	69.32	62.51	10.89	8.28	11.99	5	17.3
Loose/Bulk Tea	**6.14**	**38.51**	**36.84**	**4.53**	**6.96**	**10.05**	**5**	**26.2**
Instant & Liquid Tea	**40.79**	**256.09**	**257.11**	**– 0.39**	**50.19**	**72.75**	**23**	**28.4**
Total	**100.00**	**$627.70**	**$629.78**	**– 0.32**	**100.00**	**$144.90**	**50**	**23.1**

% of total store volume . . . 0.33%

*Adjusted to reflect the latest update of Bureau of Census figures.

growing market.

Nestlé, which only puts out an instant product, fully converted to its new decaf process last year, while GF began testing 13-oz. high-yield Sanka and Brim decaffeinated coffee in Phoenix last November. Both products went into Detroit, Chicago, Salt Lake City and West Coast markets in March. Although "of a different density," both Brim and Sanka yield the same number of cups as a regular grind 16-oz. can, according to spokesman Jerry Morrissey.

In 1982 market shares among the majors remained relatively stable. GF continued to dominate the category with a one-third share of all regular coffee sold and almost 50% of the instant market. P&G commands about a quarter of all regular coffee sales, while placing third in the instant category with a share just below 20%. Nestlé has second place with about a 25% share.

Tea: There was a fractional decline in retail dollar sales last year, but manufacturers attribute it to aggressive dealing, price features and a relatively cool May—a month that has traditionally set tea consumption patterns for the remainder of the year.

Studies show that more than 70% of Americans now prefer iced teas to hot brews, and industry analysts are predicting that tea mix sales will exceed those of tea bags by about 7 to 8 percentage points in the early 1990's. Currently, each holds about 50% of the market.

Bearing this in mind, Lipton is making a concerted effort to expand its 30% market share in the tea mix segment by introducing a natural lemon-flavored product that contains Nutra Sweet instead of sugar or saccharin. The mix, sold in 3.3- and 4.9-oz. jars, made its national debut in March after getting a test run last year in Boston, Miami and upstate New York.

Nestlé, the first runner-up in this subcategory with a 21% share, is looking to increase its sales volume this year by undertaking an aggressive cross-merchandising campaign for its mix.

Tetley, which competes primarily in the tea bag market east of the Mississippi, is taking advantage of southerners' penchant for iced tea made from a bag with a new jumbo-sized tea bag introduced this March. Sold by the dozen, each bag is about five to six times the size of a regular bag and is designed to produce a half-gallon. The bags are being marketed in the South, from Alabama to North Carolina.

The recent controversy surrounding caffeine has prompted Lipton to test a decaffeinated tea. Introduced in the Rochester market in April, it is sold in 16- and 48-bag boxes. But shoppers will have to pay a premium for it—about double the price of regular tea bags. Lipton is using the same methyline chloride decaffeinating process that most coffee-makers employ.

The instant hot tea segment, which continues to have its major appeal within a 500-mile radius of Chicago, fell off in sales in 1982. Nestlé led Lipton in market share by a 44% to 30% margin. However, in the no-cal subcategory Lipton dominated with a 72% share compared to Nestlé's 17%.

Lipton maintained its command in tea bags with 44%, while regional player Tetley came in with less than 12% when computed on a national basis.

P&G jumped on the tea bandwagon last September when it purchased the Tenderleaf line. ☐

Sauce sales mushroom thanks to homestyle explosion

'Homemade' spaghetti sauces and creamy cheese dressings sweeten the pot; mustard and ketchup spice category sales

Spaghetti sauce sales rose 20% to $526 million in 1982 and should grow another 15% this year.

Two homemade-style brands, Ragu Homestyle and Prego, generated most of the category's growth as they succeeded in convincing homemade sauce users to experiment with commercial brands.

Campbell's Prego, which finished the third phase of a national roll-out in September, was the big story. With its expansion, Prego gained a valuable chunk of market share points and now claims a 20% slice of the total spaghetti sauce segment.

Market leader Ragu, partly as a result of Prego's insurgence, declined four points to a 54% share. Nevertheless, due to the remarkable category growth, Ragu's volume was up, and the Homestyle variety alone logged a 15% share.

Ragu officials agree that Prego "did much to fuel growth within the category."

Says one Ragu spokesman, "Our major problem in 1982 was trying to stave off Prego. They've proved that if you put a good product on the shelf and demonstrate that it's good, shoppers will come back."

To date, sales of Prego's homemade-style sauce exceed Ragu's in 12 of 42 markets in which Prego currently competes. Volume for Prego's 32-oz. size outdistanced Ragu in 24 of those 42 markets and was responsible for 65% of Prego's total category sales. Meanwhile, a 48-oz. size, now claiming about 20% of brand volume, enters complete national distribution this year.

Ragu, for its part, is currently capturing about 50% of sales from its 32-oz. size.

Both manufacturers' marketing aggressiveness seems to have caused an increased shift in consumption patterns. About 50% of all households used commercial sauce in 1981, but last year that number jumped to 60%, with homemade-style brands attracting many of the new users.

In some Northeast markets, household penetration hit 77%—part of the reason unit sales for the category are up 65% over the past five years.

"We even expect more users among traditional commercial buyers given the economic climate," says a Ragu spokesman.

Both major players continue to court new and existing users with ads that emphasize the nutritional value, homemade taste and convenience of store-bought products.

Since Prego's roll-out was still quite new to many markets, it was difficult to tell how much, if any, shelf space Ragu's Homestyle or traditional brands lost to its competitor. Ragu officials admit there have been some small shifts in recent months.

On the average, all spaghetti sauces occupied 12-16 linear feet in Northeast markets in 1982, 4 ft. in the Southeast. Both Ragu's and Prego's share of that space was about even with market share, although Prego often received about 5% less space than expected. Based on sales

Sauces: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Dry Mixes & Seasonings	**10.63**	**$ 184.84**	**$ 190.64**	**− 3.03**	**15.38**	**$ 61.04**	**56**	**33.0**
Gravy Mix	3.21	55.84	52.99	5.38	4.76	18.87	16	33.8
Sloppy Joe Mix/Seasoning	0.55	9.63	8.75	10.06	0.79	3.13	3	32.5
Chili Mix/Seasoning	0.89	15.40	21.14	−27.14	1.30	5.17	4	33.6
Spaghetti Sauce Mix/ Seasoning	1.11	19.25	24.68	−21.99	1.72	6.83	5	35.5
Other Dry Mixes & Seasonings	4.87	84.72	83.08	1.97	6.81	27.03	28	31.9
Mustard	**6.75**	**117.45**	**107.46**	**9.30**	**6.75**	**26.78**	**20**	**22.8**
Ketchup	**17.50**	**304.23**	**295.40**	**2.99**	**12.66**	**50.24**	**16**	**16.5**
Plain	14.51	252.24	239.35	5.39	10.55	41.87	13	16.6
All Other Ketchup	2.99	51.99	56.05	− 7.23	2.11	8.37	3	16.1
Spaghetti Sauce	**30.22**	**525.67**	**438.42**	**19.90**	**26.44**	**104.93**	**46**	**20.0**
Meatless	18.26	317.71	273.29	16.25	15.85	62.91	29	19.8
With Meat	9.63	167.52	142.90	17.23	8.32	33.00	14	19.7
With Clams	2.33	40.44	22.23	81.92	2.27	9.02	3	22.3
Meat Sauce	**13.62**	**236.84**	**214.03**	**10.66**	**14.62**	**58.03**	**34**	**24.5**
Cooking Wine	**0.33**	**5.78**	**5.21**	**10.94**	**0.49**	**1.94**	**2**	**33.6**
Gravies, Prepared	**2.33**	**40.44**	**40.60**	**− 0.38**	**2.38**	**9.46**	**8**	**23.4**
Gravy Flavoring, Liquid	**0.66**	**11.55**	**6.98**	**65.47**	**0.68**	**2.69**	**1**	**23.3**
Chili Sauce	**1.00**	**17.33**	**24.68**	**−29.77**	**1.05**	**4.18**	**3**	**24.1**
Cocktail & Seafood Sauce	**0.89**	**15.40**	**14.06**	**9.53**	**0.94**	**3.74**	**3**	**24.3**
Mexican Sauces	**5.65**	**98.20**	**114.93**	**−14.55**	**7.10**	**28.18**	**25**	**28.7**
Pizza Sauce	**1.33**	**23.11**	**26.45**	**−12.62**	**1.44**	**5.71**	**6**	**24.7**
Hot Sauce	**1.33**	**23.11**	**24.68**	**− 6.35**	**1.59**	**6.31**	**6**	**27.3**
Soy & Teriyaki Sauce	**2.44**	**42.36**	**47.68**	**−11.15**	**2.68**	**10.63**	**7**	**25.1**
All Other Sauces	**5.32**	**92.42**	**81.31**	**13.66**	**5.80**	**23.01**	**22**	**24.9**
Total	**100.00**	**$1,738.73**	**$1,632.53**	**6.51**	**100.00**	**$396.87**	**255**	**22.8**

% of total store volume . . . 0.90%

*Adjusted to reflect the latest update of Bureau of Census figures.

per linear foot, spaghetti sauce's performance should net the category even more shelf space in 1983.

Regional brands, whose share of their respective markets usually hovered around 5%, took up much of remaining footage. One such brand, Francesco Rinaldi, competed with the major players in the Northeast with its All Natural and No-Salt varieties and managed to gain new market share.

Another all-natural regional entry, Aunt Millie's, significantly improved its share in New York, Philadelphia and Miami.

Meat or "cooking sauces" increased sales 11% and claimed most of remaining sauce section facings. Armour-Dial's La Sauce, designed to complement cheaper cuts of meat, noted "steady growth" of the five sauces it markets for chicken and the three available for beef. La Sauce was most often merchandised in the sauce section, but occasionally made its way into specialty sections or was cross-merchandised with meat.

Dressings: Bottled and dry salad dressings couldn't claim as healthy a year as sauces, but manufacturers moved to spark growth and meet the demand for more healthful meals by introducing creamy varieties, many with cheese.

In a price-sensitive category with nearly 90 varieties, almost all growth in recent years has come from new, creamy products. Not surprisingly, creamy cheese flavors were marketed last year by four major manufacturers.

In April, Kraft, the market leader, went national with four varieties of its Philadelphia Brand Cream Cheese dressing. Wish Bone countered with Cheddar and Bacon, as well as three sour cream flavors, while Seven Seas entered the fray with Creamy Parmesan.

Sales in the dry mix subcategory slipped significantly and, according to one manufacturer, "weren't capturing the consumer like creamy pourables."

Hellman's moved to halt that trend by introducing Hellman's House Dressing, a dry mix now in six test markets on the East and West Coasts.

In the mayonnaise segment itself, where Best Food's Hellman's and Kraft are the only two national brands, sales dipped nearly 11%, though tonnage was steady at 700 million lb.

Ketchup, on the other hand, recorded a $9 million, or 3% increase in 1982 sales. Heinz led all manufacturers with a hefty 46% share, followed by Hunts at 14% and Del

Dressings: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Dry Dressing Mixes for Salads	**5.60**	**$ 63.54**	**$ 81.31**	**−21.84**	**8.35**	**$ 17.66**	**13**	**27.8**
Mayonnaise	**35.13**	**398.58**	**447.63**	**−10.95**	**17.71**	**37.47**	**12**	**9.4**
Dressing for Salad	**10.87**	**123.23**	**155.63**	**−20.81**	**8.27**	**17.50**	**6**	**14.2**
Dressings, Bottled	**43.64**	**494.85**	**508.97**	**− 2.76**	**60.70**	**128.36**	**89**	**25.9**
Italian	13.07	148.26	148.55	− 0.19	18.09	38.25	22	25.8
French	4.58	51.99	84.85	−38.72	5.97	12.63	11	24.3
Russian	1.53	17.33	24.68	−29.77	2.06	4.35	3	25.1
Thousand Islands	3.06	34.66	44.14	−21.47	4.18	8.84	7	25.5
Coleslaw	1.02	11.55	8.75	32.00	1.32	2.78	1	24.1
Cheese	3.40	38.51	38.83	− 0.81	4.95	10.48	5	27.2
All Other Bottled Dressings	16.98	192.55	159.17	20.97	24.13	51.03	40	26.5
Spreads	**4.76**	**53.91**	**42.08**	**28.11**	**4.97**	**10.49**	**6**	**19.5**
Sandwich Spread	3.23	36.58	19.37	88.85	2.98	6.29	3	17.2
Tartar Sauce	0.85	9.63	12.29	−21.63	1.03	2.18	1	22.6
Garlic Spread	0.34	3.85	6.98	−44.83	0.46	0.97	1	25.3
All Other Spreads	0.34	3.85	3.44	11.92	0.50	1.05	1	27.3
Total	**100.00**	**$1,134.11**	**$1,235.62**	**− 8.21**	**100.00**	**$211.48**	**126**	**18.6**

% of total store volume . . . 0.59%

*Adjusted to reflect the latest update of Bureau of Census figures.

Monte with 12%.

In an effort to further stimulate sales, Heinz will spend more on advertising in 1983 than in any other year. According to a company spokesman, "We're just not happy with an almost 50% share."

To soothe their dissatisfaction, Heinz strengthened its promotional program. Last year, the company sponsored a burger giveaway, which offered consumers up to $4 in coupons good for additional purchases of ground beef. And similar tie-ins were used with Ore-Ida potatoes, chicken and hotdogs.

At the same time mustard sales moved ahead even more quickly than ketchup in 1982—growth due primarily to inroads made by brown and Dijon types.

"Mustard has left the realm of sandwiches, hotdogs and hamburgers and is now perceived as a new type of sauce. The trend is in that direction," says one major supplier.

That trend helped stimulate a 9% increase in sales to more than $117 million. To capture the more upscale user, manufacturers positioned the product as a condiment for meats or finished dishes and garnered secondary placement in the meat or deli sections of many stores.

Major manufacturers also emerged with new products to satisfy sophisticated palates. Market leader R. T. French moved out early with Bold N'Spicy and has now stolen part of Gulden's share of the brown mustard segment. More recently, French's introduced Vive la Dijon to face off against Heublein's Grey Poupon.

Grey Poupon, in turn, unleashed Grey Poupon Country, a darker, coarser variety that's already a hit in West Coast test markets. "With the line extension, we may take some volume from our other product. But we wouldn't have introduced it if we didn't see tremendous incremental volume. This segment of the category is growing that fast," says a Heublein spokesman.

In the dry mixes and seasonings subcategory, 1982 was not a banner year. Sales for gravy and sloppy joe mixes were up only slightly, while most other subsegments were flat. Taco seasonings, on the other hand, scored a 19% increase in unit sales and took responsibility for most category growth.

Manufacturers found the consumer perception that all dry mix and seasoning products are identical a major obstacle to sales growth.

To put an end to that perception, R. T. French, No. 2 in the category, allocated 200% more money for advertising in 1982 than it had in 1981.

Still, French's, along with market leader McCormick, watched its share drop slightly as small regional brands—Durkee in particular—grabbed larger slices of the pie. French's share fell two points to 21%; McCormick's slipped one point to 28%. ☐

Nutrition craze adds dash to spice sales

To avoid the potential hazards of sodium, shoppers are turning to traditional herbs, spices and lively new flavorings

The low-sodium craze, the increased popularity of ethnic foods and a diet fad teamed up to give slow-moving spices and extracts an extra push in 1982. The category chalked up a dollar sales gain of about 7%.

However, the quantity of spices sold to food service and industrial users continues to climb at the expense of direct grocery sales.

"Only 40% of spice sales are now at the grocery store level," observes Thomas F. Burns, executive vice president of the American Spice Trade Association. "A few years ago, it was 60%."

Nevertheless, manufacturers didn't waste any time cashing in on new developments and trends that created merchandising opportunities.

Reports linking sodium to possible health hazards prompted two companies to mount promotional campaigns offering spices as flavoring alternatives.

McCormick, the category leader with a 39% share, sent "The Spice & Diet Cookbooklet" to about 600 newspaper and magazine food editors in May. The 13-page publication, put out by the spice association, lists recipes that are low in sodium, sugar and fat content. It describes spices and herbs as products "whose time has come."

Not to be outdone by its larger competitor, the R. T. French Company developed low-sodium recipes, available directly to consumers.

Convenience and an increased yen for experimental cooking led Durkee to roll out a line of "creative seasonings" in January. Distributed nationally, the special blends of herbs and spices are marketed with descriptive names. They include lemon fish, onion butter, herb vegetable, steak salt, broil and grill, and fried chicken seasoning.

The new line was in 75% of Durkee's distribution pipeline in late April and is being supported by recipe pads, special signage and consumer incentives. A Durkee spokesman said that retailer acceptance was "very good."

Durkee, which is a distant second in the category with a 15% share, sells the new line in 3-oz.-4½-oz. bottles.

Now that the American palate has developed a craving for the livelier and zestier taste of Mexican and Italian foods, such spices as chile, garlic and salt powder, as well as oregano and savory, are beginning to register additional turns.

An increased interest in French cooking has kept tarragon on the move, while the American serviceman's exposure to Oriental cooking in Viet Nam continues to make ginger a best seller.

Meanwhile, the large 6-oz. and 9-oz. containers R. T. French recently introduced with a lower per-ounce cost to the consumer are no longer the fast-movers they once were. Sales increases are now in the 3%-4% range for the large sizes, while sales for the midsized 3-oz.-4-oz. units are registering a 10% rise.

Although this country is the world's largest spice importer, shipments were down slightly last year as the sluggish economy forced users to keep inventories at minimum levels.

Nevertheless, retailers are continuing to reap up to 40% margins for a category that gets a relatively small amount of paid advertising support and rings up close to half its sales during the November-December holiday season.

About 22% of the market share continued to go to private labels, while regional distributors commanded a similar percentage. Although Durkee representatives believe their share of the business is expanding, no dramatic shifts are likely since many retailers give this category limited shelve space and often carry only one brand.

The spice association, which has been financing a rather aggressive public relations program since 1940, has budgeted this year's effort at a modest $200,000.

Extracts "got a shot in the arm from the Cambridge diet plan," notes R. T. French spokesman Chuck Chadwick. "However, our sales have slowed down as nutritionists started to question the program."

Durkee's imitation vanilla extract fared very well last year as an alternative to the high-priced pure product, which commanded an even higher ticket in 1982.

Although salt substitute sales more then doubled last year due to a wave of adverse publicity over salt's possible link to hypertension, sales of table salt declined only moderately, according to Morton's spokesman Raymond Bushman.

Morton's, the category leader, reported that more than 90% of last year's sales were in regular table salt. However, their patented "light salt" (50% sodium chloride and 50% potassium chloride), which made up the difference, showed a "good" sales increase. This alternative has been on the national market since 1974. ☐

Spices & Extracts: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Extracts & Food Coloring	**13.46**	**$118.22**	**$ 98.71**	**19.76**	**13.43**	**$ 40.69**	**27**	**34.4**
Lemon Extract	0.52	4.57	3.44	32.85	0.59	1.80	2	39.4
Vanilla Extract	9.04	79.40	68.92	15.21	8.57	25.96	8	32.7
All Other Extracts [Incl. Grenadine & Bitters]	2.86	25.12	19.37	29.69	3.16	9.57	13	38.1
Food Coloring	1.04	9.13	6.98	30.80	1.11	3.35	4	36.7
Pepper	**10.38**	**91.25**	**86.42**	**5.59**	**10.82**	**32.75**	**18**	**35.9**
Black	9.08	79.83	74.23	7.54	9.36	28.34	14	35.5
White	0.52	4.57	3.44	32.85	0.60	1.81	1	39.7
Red/Cayenne	0.78	6.85	8.75	−21.70	0.86	2.60	3	37.9
Whole & Ground Spices	**14.88**	**130.68**	**121.61**	**7.46**	**16.60**	**50.26**	**31**	**38.5**
Cloves	2.08	18.27	14.06	29.94	2.33	7.05	2	38.6
Cinnamon	2.86	25.12	29.98	−16.20	3.37	10.20	4	40.6
Nutmeg	1.56	13.70	10.52	30.23	1.68	5.10	1	37.2
Paprika	1.82	15.99	19.37	−17.44	2.03	6.14	2	38.4
All Other Whole & Ground Spices & Seeds	6.56	57.60	47.68	20.81	7.19	21.77	22	37.8
Leaf Spices & Herbs	**7.74**	**68.00**	**75.70**	**−10.16**	**8.99**	**27.24**	**16**	**40.1**
Basil	1.30	11.41	10.52	8.46	1.48	4.50	1	39.4
Oregano	2.34	20.55	15.83	29.82	2.59	7.85	3	38.2
Thyme	0.52	4.57	5.21	−12.27	0.61	1.84	2	40.2
All Other Leaf Spices & Herbs	3.58	31.47	44.14	−28.69	4.31	13.06	10	41.5
Vegetable Seasonings	**16.11**	**141.49**	**140.88**	**0.43**	**17.72**	**53.65**	**28**	**37.9**
Bell Pepper Flakes	0.26	2.28	1.67	36.53	0.24	0.72	1	31.4
Parsley Flakes	2.08	18.27	17.60	3.81	2.29	6.94	3	38.0
Chopped Chives	0.52	4.57	5.21	−12.27	0.57	1.72	1	37.6
Celery Flakes & Seeds, etc.	1.04	9.13	6.98	30.80	1.25	3.78	3	41.4
Onion Flakes & Juice, etc.	3.90	34.25	37.06	− 7.57	4.24	12.84	10	37.5
Garlic Flakes & Powder, etc.	7.79	68.42	67.15	1.89	8.54	25.86	7	37.8
All Other Vegetable Seasoning	0.52	4.57	5.21	−12.27	0.59	1.78	3	39.0
Table Salt	**7.02**	**61.66**	**47.59**	**29.57**	**4.33**	**13.11**	**9**	**21.3**
Regular	3.64	31.97	22.91	39.55	2.28	6.91	5	21.6
Iodized	3.38	29.69	24.68	20.30	2.05	6.21	4	20.9
All Other Salt	**1.56**	**13.70**	**8.75**	**56.57**	**1.13**	**3.41**	**5**	**24.9**
Other Seasoning & Flavoring	**28.85**	**253.40**	**241.36**	**4.99**	**26.98**	**81.75**	**55**	**32.3**
Chili Powder	2.08	18.27	17.60	3.81	2.15	6.50	4	35.6
Garlic Salt	2.86	25.12	31.75	−20.87	2.85	8.64	4	34.4
Monosodium Glutamate [MSG]	2.60	22.84	21.14	8.04	1.95	5.89	2	25.8
Seasoned Pepper	1.56	13.70	10.52	30.23	1.42	4.32	3	31.5
Meat Tenderizers	1.82	15.99	15.83	1.01	1.49	4.52	5	28.3
Charcoal Flavoring, Artificial Smoke	0.52	4.57	5.21	−12.27	0.46	1.41	1	30.8
Seasoned Salt	5.46	47.96	51.22	− 6.35	4.83	14.63	8	30.5
Special-Purpose Seasonings & Seasoning Mixes	3.12	27.40	22.91	19.60	3.13	9.48	10	34.6
Cinnamon-N-Sugar	0.26	2.28	1.67	36.53	0.28	0.85	1	37.2
Horseradish [Shelf Stable]	0.26	2.28	5.21	−56.23	0.23	0.69	1	30.4
All Other Seasoning & Flavoring	8.31	72.99	58.30	25.20	8.19	24.82	16	34.0
Total	**100.00**	**$878.40**	**$821.02**	**6.99**	**100.00**	**$302.86**	**189**	**34.5**

% of total store volume . . . 0.45%

*Adjusted to reflect the latest update of Bureau of Census figures.

New entries heat up frozens

Major product introductions and upgraded line extensions contribute to 16% sales gain in the crowded freezer case

The freezer case underwent a remarkable face-lift last year: Many of the 100-plus new products and line extensions, competing for shelf space in an already overcrowded field, became overnight moneymakers. Some had their magic rub off on competitors, thereby contributing to a very solid 16% sales gain for frozens in 1982.

The most dramatic sales gain, 26%, occurred in the dinner and entree segments, where major players rolled out products tailored to the needs of upscale and diet-conscious consumers.

Not only did the much-talked-about 10-entree Lean Cuisine line quickly jump into the top position in many markets after going national early last year, but Weight Watchers also doubled sales of its 16-item line.

"Lean Cuisine was there at the right time and right place," observes Mayfair Super Markets' Anthony Petrillo. "Their name told people what the product was."

In the same vein, but with a somewhat greater emphasis on a premium-priced product, Armour, which entered the frozen dinner sweepstakes in 1980, sent its eight-item Dinner Classics national last February.

Then Campbell, perhaps prompted by Armour's impressive showing in Miami and Seattle test markets, countered with a test of an eight-item upgraded LeMenu dinner line. Introduced in Texas last August, the new LeMenu is now in East Coast markets, and should be in freezer cases around the country by the end of this year.

Although LeMenu is priced slightly higher than the Dinner Classics, both lines have replaced traditional aluminum and paper containers for TV dinners with a more attractive plate-like tray made of plastic and clay.

Stouffer's may dominate the frozen single-dish entree segment with its Lean Cuisine and other entrees, but Swanson's retains its leadership in the dinner subcategory. However, Stouffer's 40.8% SAMI share for the 52-week period ending in April was down nearly five points from the previous year as Dinner Classics moved up from 3.6% to 11.4%, and LeMenu achieved an impressive 5.5% share with just limited distribution.

Banquet continues to hold a sizable lead over Morton in the economy meal area. Nevertheless, both lost about three share points to the newcomers.

"Dinner Classics performed excellently for us during the four months we've had them," says Hannaford Brothers' Larry Murak.

America's increased interest in

Frozen Foods: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Prepared Frozen Foods	**19.32**	**$ 2,439.60**	**$ 1,693.20**	**44.08**	**18.57**	**$ 713.63**	**210**	**29.3**
Dinners/Lunches/Breakfasts	6.16	777.90	541.43	43.68	6.05	232.59	66	29.9
Pizza	4.71	594.98	537.89	10.61	4.30	165.40	47	27.8
Meat Pies	1.37	173.29	153.86	12.63	1.29	49.39	12	28.5
Other Prepared Frozen Foods	7.08	893.43	460.02	94.22	6.93	266.24	85	29.8
Entrees	**15.47**	**1,954.37**	**1,794.08**	**8.93**	**15.66**	**601.95**	**167**	**30.8**
Breakfast Entrees	2.47	311.93	451.17	− 30.85	2.18	83.91	24	26.9
Prepared Fish Entrees	5.00	631.56	555.59	13.67	5.06	194.52	61	30.8
Prepared Meat Entrees	4.65	587.27	467.10	25.73	5.01	192.63	48	32.8
Prepared Poultry Entrees	3.35	423.61	320.22	32.29	3.41	130.90	34	30.9
Meat Unprepared	**9.16**	**1,157.22**	**709.55**	**63.09**	**9.94**	**381.88**	**23**	**33.0**
Poultry Unprepared	**11.78**	**1,488.40**	**1,472.29**	**1.09**	**12.20**	**468.85**	**40**	**31.5**
Seafood Unprepared	**3.40**	**429.38**	**221.01**	**94.28**	**4.37**	**167.92**	**27**	**39.1**
Fish	2.45	310.00	106.08	192.23	3.43	131.75	16	42.5
Shellfish	0.95	119.38	114.93	3.87	0.94	36.17	11	30.3
Soups	**0.11**	**13.48**	**21.14**	**− 36.22**	**0.11**	**4.10**	**3**	**30.4**
Potato & Onion Products	**2.84**	**358.14**	**392.57**	**− 8.76**	**2.69**	**103.43**	**26**	**28.9**
French Fried Potatoes	1.39	175.22	245.89	− 28.73	1.25	48.01	10	27.4
All Other Potatoes	1.24	155.96	114.93	35.70	1.23	47.41	13	30.4
Onions	0.21	26.96	31.75	− 15.08	0.21	8.01	3	29.7
Vegetables	**11.45**	**1,446.04**	**1,341.23**	**7.81**	**10.64**	**408.76**	**121**	**28.3**
Special	3.72	469.82	465.33	0.96	3.45	132.49	49	28.2
Regular	7.73	976.22	875.90	11.45	7.19	276.27	72	28.3
Fruits & Berries	**1.94**	**244.54**	**306.06**	**− 20.09**	**1.63**	**62.60**	**12**	**25.6**
Juices & Drinks	**11.82**	**1,492.26**	**1,579.85**	**− 5.53**	**10.09**	**387.82**	**40**	**26.0**
Orange	8.33	1,051.32	1,059.95	− 0.80	6.65	255.47	14	24.3
Grape	0.64	80.87	111.39	− 27.39	0.66	25.23	3	31.2
Lemon/Lime/Orangeades	0.81	102.05	141.48	− 27.86	0.83	31.94	6	31.3
All Other Juices, and Drinks	1.77	223.36	185.72	20.27	1.67	64.33	13	28.8
Apple Juice	0.27	34.66	81.31	− 57.36	0.28	10.85	4	31.3
Bakery Products	**9.49**	**1,197.66**	**994.08**	**20.48**	**11.24**	**432.28**	**159**	**36.1**
Bread & Bread Products	1.60	202.18	208.72	− 3.12	1.90	72.99	22	36.1
Pies—All Types	2.00	252.24	240.58	4.85	2.34	90.05	37	35.7
Cakes	2.81	354.29	265.36	33.51	2.90	111.60	44	31.5
Donuts & Rolls	1.81	229.13	139.71	64.00	2.62	100.59	30	43.9
All Other Bakery Items	1.27	159.82	139.71	14.39	1.48	57.06	26	35.7
Whipped Toppings	**1.22**	**154.04**	**162.71**	**− 5.32**	**0.96**	**36.97**	**6**	**24.0**
All Other Frozen Foods	**2.00**	**252.24**	**155.63**	**62.08**	**1.90**	**72.96**	**23**	**28.9**
Total	**100.00**	**$12,627.37**	**$10,843.40**	**16.45**	**100.00**	**$3,843.08**	**857**	**30.4**

% of total store volume . . . 6.56%

*Adjusted to reflect the latest update of Bureau of Census figures.

ethnic foods has not gone unnoticed by frozen meal manufacturers who are now giving most of their recent line extensions a foreign flavor.

Armour Classics has added a Chinese and Swedish dish, while Lean Cuisine is coming out with four new Italian meals this year. Swanson's is adding a Mexican and Italian dinner to its Hungry Man line, and Weight Watchers recently rolled out new Chinese and Italian entrees.

Buitoni, one of the larger manufacturers of frozen Italian foods, is pointing its six new Classics entrees toward one- and two-member households with incomes over $30,000, says acting marketing director Ed Serbin. The boil-in-bag products, which debuted in May, are accompanied by national co-op couponing and in-store refund offers.

Regional competitor Celentano is looking to increase sales for its 14-entree line by moving its calorie-count labeling to the front of its packaging. It maintains that its dishes, which average around 310 calories per serving, have a fat content just slightly higher than those positioned in the diet segment.

Del Monte's Patio line is the market leader in frozen Mexican entrees, basically because of the strength of its burrito lines. The San Francisco-based firm reformulated the entire line last fall, especially the sauces, gravies and toppings, and also increased ingredients.

Del Monte, which also redid its Chun King egg roll line last year, has gained a slight edge on competitor LaChoy and hopes to keep it that way with a new TV ad campaign featuring an "Oriental spokesman."

General Foods is seeking to attract consumers with more sophisticated taste buds; last December it extended its Birds Eye vegetable combo line with what the company describes as "complex vegetable" bases. The new entries, which are sold in 10-oz. boxes, include cauliflower, spinach and two broccoli varieties, all in a light sauce. The new products will be plugged in TV ads.

Birds Eye is also moving to increase distribution of its regular line in 16-oz. polybags. It hopes to have the larger packaging in its eastern and central regions by the end of this year, and in full national distribution by 1984. Currently a third of all frozen vegetables are now sold in these larger bags.

The nine-variety Farm Fresh Mixture brand Birds Eye unveiled two years ago has now captured the top market share in the thematic segment, which Stokely and Seabrook pioneered with their international themes a few years ago.

Green Giant went national last August with a six-variety Harvest Fresh line, which it describes as the first frozen vegetable product in a boil-in-bag without sauce. "It contains a small amount of sugar and cooks in its own natural juices," comments product manager David Weber. The line was extended in January with broccoli and cauliflower, both in white cheddar cheese sauces.

Frozen concentrate sales were off about 5½% last year. The severe freeze that hit the Florida orange crop in January 1982, crippled the fruit before it could be salvaged for processing. Also, part of the decline can be attributed to an increased consumer preference for ready-to-serve juices.

Nevertheless, market leader Minute Maid came out last summer with 12- and 16-oz. orange concentrates that contain more pulp. They were followed during the winter with a reduced acid version, the only one of its kind currently on the market.

Poultry: In the unprepared poultry segment, which showed only a 1% gain last year, Swift is again mounting a major public relations campaign to call attention to its 29-year-old Butterball line. As part of this effort, it will resurrect its "Turkey Talk Line" during the Thanksgiving and Christmas season. Last year, toll-free lines answered 110,000 calls from consumers who sought advice on how they could best prepare their birds.

While 85% of all Americans have turkey for Thanksgiving and about half have the gobbler on the dinner table during Christmas, the industry has made a concerted effort to increase consumption during the remainder of the year. Toward this end, Armour was the first company to introduce a boneless turkey product in the 6- to 7-lb. range two years ago. Swift followed with its own version last fall. Although the product, which requires less roasting time, has done well where it has been available, distribution is still spotty as retailers are generally reluctant to stock their freezers with an item that has traditionally been a holiday specialty.

The frozen unprepared chicken market has been relatively flat as consumers continue to opt for the heavily advertised chilled varieties. Observers don't predict a change in this situation until frozen manufacturers invest promotional dollars in their product.

Bakery: The bakery products segment chalked up a very healthy 20% sales increase last year, partly on the changes and additions Sara Lee made to maintain its dominance.

Its most noteworthy introduction was a frozen croissant, which has already gained a major market share since it went national in late winter. The product, manufactured via a special process that includes 108 layers, is available in four-unit packages and retails at $1.79. The new line includes cheese, wheat and honey, and all butter varieties.

In the spring, Sara Lee unveiled a Puddin-in-the-Middle single-layer cake. It also recently reformulated its coffee and cheese cakes. All of these products have received heavy network TV advertising, as well as print ad and couponing support.

Dairy novelties: One of the biggest growth components are frozen dairy novelties. Jell-O Pudding Pops became a hot item, even before it got into complete national distribution in March. The product, which comes in four flavors, already has the top market share and reportedly grossed $100 million for General Foods last year, in part due to its promotional tie-in with comedian Bill Cosby.

Two more Jell-O novelties—gelatin pops and fruit and cream dessert bars—are currently in test market and may soon make their national debut.

"The Pudding Pops have been a super item for us since they've sold well throughout the year," says Mayfair's Petrillo.

Meanwhile, very strong competition is coming from Weight Watchers' treat and sandwich bars which, unlike the Jell-O products, are aimed at an adult market. A company spokesman notes that children represent only 20% of its consumers and that about 70% of those who buy the treats and bars are not on the Weight Watchers' dietary program.

A new sandwich bar in mint flavor was introduced last year, while a strawberry and vanilla treat bar is due out this summer. Weight Watchers is matching Jell-O's heavy TV campaign with its own commercials on the Johnny Carson Show and on daytime TV. In addition, the products will be backed with print ads and couponing. ☐

Cookies & Crackers: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Cookies/Crackers	**100.00**	**$3,871.49**	**$3,528.59**	**9.72**	**100.00**	**$932.70**	**80**	**24.1**
Cookies	55.32	2,141.65	1,911.18	12.06	54.19	505.43	60	23.6
Crackers	44.68	1,729.84	1,617.41	6.95	45.81	427.27	20	24.7
Total	**100.00**	**$3,871.49**	**$3,528.59**	**9.72**	**100.00**	**$932.70**	**80**	**24.1**

% of total store volume . . . 2.01%

*Adjusted to reflect the latest update of Bureau of Census figures.

The hard dough is on soft cookies; shoppers are gobbling up crackers

P&G's Duncan Hines and Frito-Lay's Grandma's new soft cookies together command nearly 46% of K.C. test market

A security analyst calls it a "renaissance in cookies." Industry experts call it a "technological breakthrough."

They're talking about the new soft-centered cookies now being tested in Kansas City by Procter & Gamble (Duncan Hines) and Frito-Lay (Grandma's).

The Duncan Hines chocolate chip cookie line marks Procter & Gamble's first foray into ready-to-serve cookies. In a virtuoso performance that stunned long-time marketers, Duncan Hines cookies captured 30% of the Kansas City market in four months.

Duncan Hines uses a special two-step baking process that calls for two separate doughs: a crisp dough on the outside and a soft one (due to corn syrup) on the inside.

The net result is a soft chewy cookie with an out-of-the-oven taste. And by using foil-laminated packaging material, air is kept out and freshness is preserved. Duncan Hines says the shelf life is six months. The package has an inner plastic tray to keep the cookies from breaking. And on the shelf in Kansas City, sales reps have installed special inserts so the product is displayed vertically for optimum exposure.

The Duncan Hines line consists of chocolate chip cookies in chocolate, peanut butter, fudge, mint, but-

Harvest
99¢
Zesta
Club

Tangy Cheese
Savory Sesame
vanilla wafers
$1.09
89¢
$1.19

terscotch and almond fudge. Packages come in 12-oz. and 18.5-oz. sizes and are parity-priced with other cookies aimed at the mass market: $1.59 for 12 oz., $2.09 for 18.5 oz.

Frito-Lay has been testing 26 items in its Grandma's line in Kansas City since July 1982, and its market share is estimated at 10%-15%. The items include old-fashioned chips, peanut butter and oatmeal, sandwich cremes, fruit-filled swirls and snack cookies. Grandma's ad message: "suspiciously close to homemade."

The advertising dollars pouring into the K. C. marketing fray could significantly change the cookie market, with soft-center eventually becoming the dominant product.

P&G's entry might delay Frito-Lay's timetable for national distribution of its Grandma's line. And the clash of the two titans could force the other major competitors (Nabisco, Keebler and Sunshine) to escalate their advertising and promotional efforts in order to keep their market share from eroding.

P&G, the world's largest advertiser, won't discuss budget figures, but Frito-Lay committed more than $30 million for the first year of Grandma's test-marketing.

Sunshine, which claims 14%-15% of the Kansas City market, has beefed up its radio and newspaper advertising. It is offering a $4 cash refund for six proofs of purchase of Sunshine cookies, as well as a $4 refund and a book of coupons good for $6 worth of Sunshine cookies with 10 proofs of purchase.

One thing is for sure: Nabisco and Keebler won't be far behind.

Not everyone is climbing aboard the "soft" bandwagon. The philosophy of Pepperidge Farms is that cookies are a segmented market and that "soft" is only one segment. Pepperidge is high on children's cookies and believes its new Star Wars line, which went national on May 23, 1983, will cut a wide sales swath. Three flavors (vanilla, chocolate and peanut butter) are packaged in bulk bags inside 8-oz. cartons, with 23-32 cookies per box. Cookies are in the shape of Star Wars characters, with five different characters for each flavor.

Another market segment is fancy cookies, also known as the super-rich variety. Pepperidge now has 17 items in its Distinctive line. In 1982, two new items were added (Cappucino and Geneva); in 1983 two more will debut (Brussels Mint and Orange Milano).

After an extensive test period in the Northeast, Nabisco has gone national with its Gold Line dessert cookies. One item was dropped, making it a four-variety line. Packaged in gold boxes and made with pure chocolate, weights range from 3.75 oz. to 9 oz.

After testing in the Northeast and on the West Coast, Nabisco has also gone national with Duet, a chocolate-covered cookie with a peanut butter filling.

Nabisco is trying to rekindle an 85-year-old best seller with a different flavor. The product is Apple Bars, patterned after Fig Newtons.

Another market spin-off is sandwich cookies. Sunshine is adding three items to its line: Double Chocolate Cremers, Peanut Butter Cremers and Cinnamon Graham Cremers. Sunshine has also introduced Price Breaker packs in eight varieties of sandwich cookies and has resized its line. Formerly, the packages were 15-19 oz.; now they're 12 oz. and 14 oz. "They're now a better consumer value on a per-ounce basis," says a Sunshine exec. "A substantial number of these items are priced below $1."

Crackers: Both Nabisco and Sunshine are working on lower-salt crackers. A Nabisco spokesman says; "We're aware that salt content is of increasing concern, and we'll have something tangible next year."

Sunshine says its working on products that are "low in sodium."

Consumers aren't deferring their purchases until low-sodium is available, however—they're buying snack crackers in record quantities. Following last year's Potato 'n Sesame, Nabisco added Sesame Snack Thins and Nacho 'n Corn Thins.

And Sunshine, after breaking with Snack'n Sesame in 1981, came up with Snack'n Onion last year.

Nabisco is piggybacking on a 50-year-old favorite, Ritz crackers, with Cheese Ritz, which will go national late this summer or in the fall.

Pepperidge hopes that its Distinctive cracker line will duplicate the success of its Distinctive cookie line. Currently, four varieties (English water, sesame, hearty wheat and cracked wheat) are in distribution in the mid-Atlantic central area (South Carolina to New York State). Prices on two of the varieties are $1.39; $1.49 for the other two. Sizes range from 9¼ oz. to 11 oz. ☐

Consumers say yes to no-salt

Everyone sees the 'lite' as weight- and health-conscious consumers shake sugar and *salt from their diets*

Mr. and Mrs. America are no longer taking nutrition with a grain of salt. Already serious about running and Richard Simmons, they've more recently set their sights on feeding their bodies right.

It shows at the supermarket shelf. They're grabbing up salt substitutes, saltless veggies, sugar substitutes and "light" everything from canned fruit to spaghetti sauce just as fast as manufacturers can get the stuff to the store.

The one ingredient consumers seemed bent on eliminating from their diets in 1982 was salt. They're buying no- or low-salt bread, butter, cheese, vegetable juice, potato chips, corn chips and even meat tenderizers. And they're checking out no-salt vegetables at such a clip they're surprising both manufacturers and retailers.

In an apparent effort to shake their salt-shaker habits, consumers bought the new salt substitute, No Salt, faster than the manufacturer could turn it out. And sales in the whole salt substitute category zoomed up nearly 250% from 1981. From $10½ million to $36½ million by the end of 1982. Salt substitute manufacturers attribute the jump to No Salt's ad campaign. The product, manufactured by Revlon, was the first of its kind to go on national TV.

According to No Salt product manager Jeff VanBrunt, the supply they expected to last a year was gone in six months. "We had our packing plant running round the clock and still couldn't keep up," he says. But he expects to be able to meet demand this year.

A source at Lucky Stores said they moved 300 cases of salt subs a week right after No Salt's debut—that's three times as much as before.

Salt subs that have been around for a while hitched a happy ride on No Salt's coattails. Cumberland Packing's Marvin Eisenstadt says Cumberland's NuSalt sales tripled from '81 to '82.

Cumberland has changed its NuSalt formulation this year "to make it taste more like salt." "We took the dextrose out of it," Eisenstadt says. "That eliminates the calories, too, and makes it more stable." The new formulation will hit selected markets by midsummer.

Retailers say that everything that's labeled no- or low-salt is moving fast. One of the first chains to go into private-label no-salt vegetables in a big way, Stop & Shop reports such success with them that it quickly added no-salt bread and chips and plans to add more items this year.

In fact, unit movement of no-salt vegetables already equals about 60% of Stop & Shop's total average tonnage for traditional canned vegetables.

It's a different story in the South. Below the Mason-Dixon Line, the hullabaloo about low-no-reduced salt dies down to a murmur—or a grumble. One spokesman for a big southern chain claims the brand-name no-salt vegetables he's carrying are doing "just awful." He hasn't added any items to the line.

Southern taste is different, he explains, it's attuned to spicy stuff. He also believes the fitness craze just hasn't gathered momentum there.

Elsewhere in the country shoppers seem to be just waiting for the next reduced-salt item to hit the shelf. Campbell's reduced-sodium V-8 juice, which has been around for a decade, has shown 30% sales jumps in each of the last two years, according to one source. This spring the company brought out low-sodium tomato juice.

Borden also added a sodium-light (50% less sodium) this spring, and a reduced-sodium (75% less sodium) selection to its Lite Line processed cheese sandwich slices, part of an expansion of its whole Lite Line of cheeses. It also added Lite Line Colby, Monterey Jack, sharp cheddar and muenster. "It allows us to merchandise Lite Line cheese as a whole section in the dairy case," says Borden's Susan Puhr. To introduce the new items, Borden has increased its ad budget for the cheese line by 50% from 1982.

Also new this year in the Borden Lite Line is low-sodium bouillon.

Chicago Dietetic, long-time manufacturer of an extensive line of Featherweight brand products, introduced a Featherweight first this past year—cheddar cheese with 95% less sodium.

Dietetic & Lo-Cal Foods: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Supplements	6.04	$ 36.58	$ 54.57	– 32.96	5.62	$ 8.69	16	23.8
Liquid	3.18	19.25	24.68	– 21.99	3.00	4.64	10	24.1
Powdered	1.27	7.70	8.75	– 11.99	1.15	1.78	2	23.1
All Other Diet Supplements	1.59	9.63	21.14	– 54.44	1.47	2.27	4	23.6
Artificial Sweeteners & Sugar Substitutes	13.06	78.95	74.23	6.36	13.18	20.37	14	25.8
Salt Substitutes & Low-Sodium Salt	6.05	36.58	10.52	247.72	6.53	10.10	6	27.6
Candy & Gum	1.91	11.55	15.83	– 27.03	2.41	3.73	3	32.3
Cookies & Crackers	3.82	23.11	28.22	– 18.10	3.44	5.32	3	23.0
Desserts & Toppings	2.87	17.33	19.37	– 10.52	2.86	4.42	6	25.5
Spreads & Syrups	8.28	50.06	45.91	9.04	7.48	11.56	5	23.1
Sauces & Dressings	8.60	51.99	54.76	– 5.05	8.31	12.84	9	24.7
Dinners [Not Supplements]	17.20	103.98	88.39	17.64	20.19	31.19	7	30.0
Fish & Meats	1.27	7.70	6.98	10.32	0.96	1.48	1	19.2
Vegetables	0.64	3.85	3.44	11.92	0.64	0.99	5	25.6
Fruits	13.06	78.95	67.15	17.57	11.85	18.32	18	23.2
Juices & Drinks	13.38	80.87	116.70	– 30.69	12.40	19.17	7	23.7
All Other Low-Calorie Products	3.82	23.11	17.60	31.31	4.13	6.38	4	27.6
Total	100.00	$604.61	$603.67	0.16	100.00	$154.54	104	25.6

% of total store volume . . . 0.31%

*Adjusted to reflect the latest update of Bureau of Census figures.

The diet cheese category is estimated to be a $71 million business in this country. So it's no surprise that manufacturers are jumping on the bandwagon. New ones are coming in, too. A newly formed company in New Jersey—First World Cheese Associates—is making a cheddar-style low-sodium, low-cholesterol cheese with 44% less salt and 30% less fat. It'll be ready for market by late summer.

The other big news in the dietetic lo-cal world is the success of the new sweetener aspartame. It's marketed as a tabletop sweetener called Equal and as an ingredient called NutraSweet. Its manufacturer, G. D. Searle, says Equal is fast becoming the No. 2 sugar substitute. It went into test markets in June 1982 and received national distribution by September. It did twice as well as its manufacturers had expected, and a Searle product manager said they'd found that over 60% of the people buying Equal had never used a sugar substitute before. It reportedly tastes like sugar and actually enhances the flavor of fruit.

The good news for other subs like Sweet 'N Low, the present leader, was that the House and Senate voted unanimously this spring to extend the moratorium on the saccharin ban for another two years. Sweet 'N Low's sales were up 15% over 1981, according to Cumberland's Marvin Eisenstadt. Cumberland spent $5 million to advertise Sweet 'N Low last year and will increase its ad budget this year.

Sugar Twin sales were up in '82, too, says manufacturer Alberto-Culver. The company will repeat its annual promotion in conjunction with the American Diabetes Association; for a two-month period, a percentage of the price to the retailer is donated to the association. Another promo called Sugar Twin Tea Party offers retailers a discount if they cross-merchandise the product with any summertime tea or coffee display.

Searle's aspartame-based NutraSweet is turning up in a tremendous number of light and dietetic products. Wyler's is using it in a sugar-free drink mix, in four fruit flavors, introduced late this spring. But Searle doesn't have F.D.A. approval for NutraSweet in liquid products yet; approval extends to dry grocery only.

Featherweight has put NutraSweet in a new formulation of its gelatin and pudding dessert line.

The Featherweight line had its biggest year yet in 1982, says sales manager Anthony Ritondale. "Where we projected a 10% increase in tonnage, we got 28% and more," he adds, crediting aggressive selling and consumers' nutritional awareness with the increase. In low-sodium vegetables alone, the company exceeded 1981's sales volume by 30%.

Consumers don't seem to be taking their minds off their diets for a minute, and everybody knows it, so look for more introductions this year. A lot of dietetic items that had only food-service distribution could be dressed up and sent retail.

An example is Cumberland's Butter Buds. Previously distributed mostly to hospitals or sold to doctors and dietitians, it was put into limited retail distribution last year. "We just haven't spent the money yet on consumer advertising," a spokesman says. The buds—granulated fatless butter—come in boxes of eight ½-oz. packs and retail for about $1.19. They're mixed with warm water and poured over vegetables, they're only 12 calories per ounce and don't need to be refrigerated. □

Ronzoni
Spaghetti
BORAX

Pasta uses its noodle to get fresh

A fairy godmother in the form of gourmet dining blessed this segment. Success of fresh helped the entire category grow

"Pasta and rice, that's a nice" might have been the byword in supermarkets this past year. What rice did for the dried vegetable category this year, macaroni, spaghetti and pizza mix did for pasta.

The entire pasta category was up 13% in 1982 to $999 million, but certain subsegments rose meteorically.

Last year retailers saw sales rise 58% on spaghetti dinners, 52% on noodle mixes and 63% on pizza mixes. The most dramatic declines were registered by macaroni prepared dinners without cheese, noodle dinners without meat, just plain old regular spaghetti, and noodles with sauce mixes. All other players in the category were quite healthy.

Undoubtedly, the category was helped by the wave of new "fresh" pastas that have hit America. Apparently the consumer's appetite and imagination are being stimulated by fresh pastas, but the realities of their pocketbooks are keeping shoppers relatively dependent on dried pasta. They seem to be eating more of both types, but dried, because it is usually much cheaper than fresh, gets purchased more frequently.

Says one manufacturer of domestic dried pasta: "The novelty of fresh will win a lot of converts and hopefully will increase overall consumption, but I don't think fresh will ever knock dry out of the marketplace. And for one reason: price.

"When a customer buys an 8-oz. package of dry for 39¢, she actually gets a pound of cooked pasta at that price. But when she buys 8 oz. of fresh at $1.19, it actually costs her $2.38 a pound."

Another pasta manufacturer adds, "Dehydrated has longer shelf life—1½ years vs. 10 days for fresh if it's refrigerated. There may be more gross profit on fresh, but there's also more labor—plus the cost of equipment."

Supermarkets are expecting a more favorable review of bulk pasta, another 1983 phenomenon.

Usually, some 15-20 items are displayed in 100-lb. barrels. Most are dummied so there are only 10-20 lb. of product in each barrel. Even with a 4% shrink factor, margins average 21%-22%, which is close to a tradeoff with packaged.

The big attraction of bulk is price. A California chain sells elbow macaroni in bulk at 45¢ a pound vs. 76¢ for a national brand (packaged), and bulk spaghetti at 39¢ a pound vs. 79¢ for packaged.

Because of the space required for the barrels (there are other bulk foods in addition to pasta), a store must be at least 25,000 sq. ft. In one Foods Co. southern California store, for example, grocery and general merchandise were trimmed, and the in-store bakery was eliminated to accommodate 270 barrels, 19 of which house pasta products.

In 1982 imports became one of the fastest-growing pasta subcategories.

A veteran exec for a regional pasta manufacturer explains: "According to the National Macaroni Institute, there were one-third more imports the first three months of 1982 than in a comparable period in 1981. And imports, because they are delivered store-door by distributors, are not reflected in warehouse movement."

Italian pasta receives a subsidy of

Pasta Products: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Macaroni Dinners	**15.03**	**$150.18**	**$168.12**	**−10.66**	**11.21**	**$ 26.91**	**9**	**17.9**
With Cheese	11.37	113.60	106.18	6.99	7.90	18.97	6	16.7
All Other Macaroni Dinners	3.66	36.58	61.94	−40.93	3.31	7.94	3	21.7
Noodle Dinners	**3.46**	**34.66**	**51.32**	**−32.45**	**4.07**	**9.79**	**8**	**28.2**
With Meat	1.73	17.33	14.16	22.39	2.06	4.96	3	28.6
All Other Noodle Dinners	1.73	17.33	37.16	−53.35	2.01	4.84	5	27.9
Spaghetti Dinners	**3.08**	**30.80**	**19.47**	**58.19**	**2.87**	**6.90**	**5**	**22.4**
With Meat	1.54	15.40	10.62	45.01	1.37	3.30	3	21.4
All Other Spaghetti Dinners	1.54	15.40	8.85	74.01	1.50	3.60	2	23.4
Noodle Mixes	**1.35**	**13.48**	**8.85**	**52.32**	**1.42**	**3.41**	**2**	**25.3**
Macaroni	**18.11**	**181.00**	**157.51**	**14.91**	**19.15**	**45.96**	**33**	**25.4**
Elbow	8.67	86.65	74.33	16.57	8.81	21.14	13	24.4
All Other Macaroni	9.44	94.35	83.18	13.43	10.34	24.81	20	26.3
Noodles	**22.93**	**229.13**	**159.27**	**43.86**	**22.55**	**54.14**	**35**	**23.6**
Flat	10.98	109.75	95.56	14.85	11.61	27.88	16	25.4
All Other Noodles	11.95	119.38	63.71	87.38	10.94	26.26	19	22.0
Spaghetti	**22.35**	**223.35**	**215.90**	**3.45**	**24.37**	**58.51**	**26**	**26.2**
Regular	14.84	148.26	161.04	− 7.93	16.36	39.29	16	26.5
All Other Spaghetti	7.51	75.09	54.86	36.88	8.01	19.22	10	25.6
Meat Extenders	**0.39**	**3.85**	**3.54**	**8.76**	**0.43**	**1.03**	**1**	**26.8**
Pizza Mix	**3.47**	**34.66**	**21.24**	**63.18**	**3.68**	**8.84**	**7**	**25.5**
One-Pot Dinners to Which Fresh Meat/Fish Is Added	**6.36**	**63.54**	**47.79**	**32.96**	**6.46**	**15.49**	**13**	**24.4**
With Noodles or Macaroni	2.12	21.18	17.70	19.66	2.10	5.04	4	23.8
With Rice	0.58	5.78	3.54	63.28	0.64	1.53	2	26.4
All Other One-Pot Dinners With Meat/Fish Added	3.66	36.58	26.55	37.78	3.72	8.93	7	24.4
Noodles With Sauce Mixes	**1.93**	**19.25**	**21.24**	**− 9.36**	**2.12**	**5.10**	**5**	**25.5**
All Other Pasta Dinners	**1.54**	**15.40**	**8.85**	**74.01**	**1.67**	**4.00**	**3**	**26.0**
Total	**100.00**	**$999.30**	**$883.10**	**13.16**	**100.00**	**$240.09**	**147**	**24.0**

% of total store volume . . . 0.52%

*Adjusted to reflect the latest update of Bureau of Census figures.

7¢-10¢ a pound from their Government, and this helps them undersell the United States product by 10¢-15¢ a pound.

The East is being hit hardest by imports because they're boxed and the East is a boxed market. The price gap between domestic and import narrows as the distance to market grows. For example, it costs 10¢-15¢ a pound to ship imports to the West Coast. "Remember," says a manufacturer, "Italy subsidizes the wheat, not the freight."

Growth in the category is coming primarily from prepared dinners, which indicates that the convenience generation is alive and well. Golden Grain has introduced two new items in its Noodle Roni line: light lasagne and chicken-flavored. At present these two products are distributed only in the West.

Another tip-of-the-hat to convenience is Kraft's Macaroni & Cheese Deluxe Dinner, which retails at $1.19, compared to 35¢ for the 7¼-oz. size. Why are people willing to pay more than three times as much for Deluxe? Because the complete sauce is in the package—no need to add margarine and milk.

Kraft has been testing its Macaroni & Spice Mix in the West and Southwest and will make a marketing decision after this summer. The product, packaged in a 7-oz. box, appeals to warm-weather salad consumers.

Generic pasta is losing ground—down to 2% of the market—while private label pasta is holding at 18%.

A pasta manufacturer explains the decline in generics: "Price is less critical now that the economy is turning around, but more than that is the quality: Generic is made from flour, while private label and regional brands are made from durum wheat."

Lo-cal pasta is on a slow-growth pattern. An expert says it's because "people talk lo-cal but don't necessarily buy it. There is no built-in demand—it moves only as long as it's promoted."

A lo-cal manufacturer says, "Lo-cal is slow in coming around because pasta's fattening image has been with us a long time and people don't believe pasta can be anything but fattening."

The villain in the calorie count is the sauce. That's why Ronzoni is pushing its Lite 'n' Natural sauce in five varieties, and why it has expanded from its New York-Philadelphia metropolitan base to Virginia, upstate New York and California. ☐

Recession gets blamed for GM's lackluster performance in '82

Overall sales were flat as retailers reined in inventories. But electric ware, photo and toys registered dramatic gains

A persistent economic recession continued to snipe at housewares sales in 1982, resulting in little real growth. Dollar volume for the category, which includes such food-related goods at kitchen gadgets, cutlery, glassware and cookware and such other general merchandise items as automotives, batteries, light bulbs and photo needs, increased just 6% to $3.87 billion, compared to last year's $3.64 billion.

Sales dipped as consumers continued to hold onto their dollars and shoppers either made due with what housewares they already had or bought selectively, shunning fad items and paying closer attention to the price/value relationship of goods.

Price hikes, an important spur to dollar growth over the past few years, no longer had much muscle. According to the National Housewares Manufacturers Association's (NHMA) 16th annual marketing research study, only 41% of all GM manufacturers reported sales increases in 1982, and the average reported increase was just 6.1%.

Moreover the trend is expected to continue; just 56% of the NHMA study participants said they expected to raise prices in 1983, while 44% didn't anticipate hiking prices at all. For those planning an increase, the average proposed rise was 5.1%.

Despite the anemic showing of the overall category in '82, profits were nothing to sneeze at. Gross profit dollars totaled almost $1.4 billion, while gross margins averaged a healthy 35.8%. Although assortment at the warehouse level still equaled a hefty 956 items, retailers did their best to keep inventory pared down to profitable movers.

Butch Claus, general merchandise buyer for the 24-unit Farm Fresh Supermarkets in Norfolk, Va., spent much of '82 scrutinizing his inventory. He says that because space is so tight for general merchandise items, it's critical "to get high-turnover items and stay away from really slow movers."

Director of nonfoods at 13-store D&W supermarkets in Grandville, Mich., Bob Mingerink is shifting his mix to keep his inventory in order. "We're sticking with the basics," he says, "and moving away from the big seasonal pushes that we used to do. So much attention has been paid to glamorous, exciting seasonals that retailers have forgotten the basics—and they've suffered for it."

In spite of the shaky economy, though, certain categories performed outstandingly in 1982. Electric ware, helped by alkaline batteries with their positively perceived price/value ratios, rang up $620 million in supermarkets sales last year.

Photo needs, including film and processing, also did well, accounting

General Merchandise: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Glassware/China	**7.36**	**$ 284.98**	**$ 360.62**	**− 20.98**	**6.26**	**$ 87.12**	**143**	**30.6**
Dinnerware	1.69	65.47	169.79	− 61.43	0.78	10.80	26	16.5
Drinkware	2.79	107.83	83.08	29.79	2.74	37.96	59	35.2
Bakeware	1.24	48.14	35.29	36.41	1.09	15.16	23	31.5
All Other Glassware/China	1.64	63.54	72.46	− 12.30	1.67	23.19	35	36.5
Barbecue Items	**7.95**	**308.08**	**307.52**	**0.18**	**5.55**	**76.88**	**40**	**25.0**
Charcoal	5.12	198.33	214.03	− 7.33	3.19	44.23	12	22.3
Starter	1.29	50.06	49.45	1.23	1.00	13.82	5	27.6
Grills	1.29	50.06	40.60	23.30	1.10	15.22	12	30.4
All Other Barbecue Items	0.25	9.63	3.44	179.94	0.26	3.62	11	37.6
Furniture	**3.14**	**121.31**	**160.84**	**− 24.57**	**3.05**	**42.28**	**39**	**34.9**
Indoor	0.90	34.66	61.84	− 43.94	0.80	11.09	16	32.0
Outdoor	2.24	86.65	99.00	− 12.46	2.25	31.19	23	36.0
Plasticware	**3.73**	**144.41**	**104.31**	**38.44**	**3.62**	**50.28**	**57**	**34.8**
Cookware	**5.47**	**211.80**	**199.88**	**5.96**	**4.93**	**68.41**	**63**	**32.3**
Cutlery	**1.09**	**42.36**	**38.45**	**10.17**	**1.05**	**14.57**	**19**	**34.4**
Gadgets	**2.39**	**92.42**	**87.63**	**5.47**	**2.91**	**40.30**	**60**	**43.6**
Gardenware [Incl. Hoses]	**0.55**	**21.18**	**37.06**	**− 42.84**	**0.51**	**7.01**	**21**	**33.1**
Batteries	**10.10**	**390.87**	**300.75**	**29.97**	**12.46**	**172.77**	**34**	**44.2**
Appliances	**3.68**	**142.49**	**70.69**	**101.57**	**3.22**	**44.60**	**31**	**31.3**
Other Electric Ware	**2.24**	**86.65**	**38.83**	**123.15**	**2.51**	**34.75**	**37**	**40.1**
Toys & Sporting Goods & Hobbies [Excl. Needlecraft]	**5.42**	**209.88**	**111.39**	**88.42**	**5.66**	**78.50**	**68**	**37.4**
Rubber Gloves	**1.54**	**59.69**	**54.76**	**9.00**	**2.03**	**28.11**	**16**	**47.1**
Auto/Marine Supplies	**3.83**	**148.26**	**284.82**	**− 47.94**	**2.59**	**35.88**	**22**	**24.2**
Tools & Fix-It Items	**0.40**	**15.40**	**24.68**	**− 37.59**	**0.52**	**7.15**	**9**	**46.4**
Vacuumware & Styrofoam	**1.69**	**65.47**	**42.37**	**54.52**	**1.80**	**24.94**	**27**	**38.1**
Rubberware	**0.80**	**30.81**	**21.14**	**45.74**	**0.80**	**11.03**	**12**	**35.8**
Woodenware	**0.35**	**13.48**	**10.52**	**28.14**	**0.33**	**4.62**	**8**	**34.3**
Holiday Supplies	**3.03**	**117.45**	**118.47**	**− 0.85**	**4.00**	**55.44**	**60**	**47.2**
Photo Needs	**18.79**	**726.88**	**588.92**	**23.43**	**10.31**	**143.44**	**36**	**19.7**
Cameras	3.28	127.08	88.39	43.77	2.03	22.52	11	17.7
Film	10.91	421.68	355.61	18.58	7.24	85.60	19	20.3
Flashbulbs	1.09	42.36	60.07	− 29.47	1.04	10.20	5	24.1
Processing	3.51	135.76	84.85	60.00	1.96	25.12	1	18.5
Sewing Notions	**0.10**	**3.85**	**14.06**	**− 72.61**	**0.13**	**1.84**	**5**	**47.8**
Sunglasses	**1.21**	**46.80**	**45.91**	**1.94**	**0.00**	**0.00**	**0**	**0.0**
Fireplace Logs	**0.75**	**28.88**	**45.91**	**− 37.08**	**0.51**	**7.08**	**3**	**24.5**
Watches & Jewelry	**2.28**	**88.41**	**86.62**	**2.07**	**7.54**	**104.50**	**21**	**118.2**
Light Bulbs	**9.91**	**383.18**	**369.57**	**3.68**	**14.34**	**198.82**	**51**	**51.9**
Standard Household	6.87	265.72	277.74	− 4.32	9.96	138.17	25	52.0
Christmas	0.60	23.11	17.60	31.31	0.90	12.43	7	53.8
All Other Bulbs	2.40	94.35	74.23	27.10	3.48	48.21	19	51.1
All Other General Merchandise	**2.20**	**85.07**	**118.37**	**− 28.13**	**3.35**	**46.42**	**74**	**54.6**
Total	**100.00**	**$3,870.06**	**$3,644.09**	**6.20**	**100.00**	**$1,386.71**	**956**	**35.8**

% of total store volume . . . 2.01%

*Adjusted to reflect the latest update of Bureau of Census figures.

for about $727 million. Light bulbs, especially those that appealed to the energy-conscious consumer, were another volume leader, bringing in $383 million at retail. And toys became the No. 1 growth leader with sales up 88%.

Electric ware: Sales for electric ware topped $620 million in 1982. Batteries garnered the bulk of those dollars, accounting for almost $391 million in sales, an increase of about 30% over 1981. In fact, the growth for supermarket sales of batteries outpaced that of the total battery industry, which posted just an 11% increase in sales in '82 over '81.

Although traditional AA's, C's, D's and 9-volt batteries are still the most frequently purchased, the market is shifting from carbon-zinc batteries to alkaline types. A Union Carbide source says total industry sales are now split about evenly between alkaline and carbon-zinc products.

According to Duracel, while al-

kalines cost about twice as much as carbon-zincs, they generally deliver from four to six times the battery power. Also, newer battery-required devices, especially those that have a high power drain, work better with alkaline items, and alkaline batteries can operate on 95% capacity even after they've been stored two years. They also seem to withstand cold and heat better than carbon-zincs.

In keeping with the need to make dollars stretch, shoppers tended to reach for single packs of higher-priced alkalines in 1982, but they generally chose two to four packs of economy line carbon-zincs.

Light bulbs: Ringing up $383 million in sales through supermarkets in 1982, light bulbs ranked high on the list of housewares performers. Despite their sizable volume, however, light bulb sales climbed only 3.7% over '82, possibly due to noncompetitive pricing. Says a source from a major light bulb supplier, "Supers need to understand that they are competing with discounters and that prices are very sensitive, especially with today's penny-watching consumers."

Sales of standard lamp bulbs actually fell over 4.3% in dollars, but the overall light bulb category did get a shot in the arm from consumers who turned to energy-saving lamps for lighting needs.

G.E., which entered the energy-saving race with its Miser line last August, has enjoyed steadily increasing distribution. The 17 items in the line offer the same amount of visible light as standard bulbs but at reduced wattage. Retails are generally higher than standard lamps, with tickets ranging from $2.99 to $3.99 for single packs.

Sylvania now has its Energy-Pincher line, which offers three popular sizes: 55 watt, 70 watt and 95 watt.

And at Westinghouse, which was recently acquired by North American Philips, the new Econo-Miser line will hit supermarket shelves this month.

Supers now account for about 43%-46% of total light bulb sales. Standard soft whites are still doing well, but inside-frosts (regular, clear bulbs) may well lose space as retailers try to accommodate more energy-saving lines.

Photo needs: While supermarkets are already bringing in almost $600 million from photo supplies, they haven't even begun to tap their full potential. According to an October 1982 Photo Marketing Association survey of 2,000 households, only 9.7% of households purchased film in supermarkets within the past year, while 25.5% bought in drug stores and 35.6% in discounters.

Yet supers are a growth segment for film sales. Fuji, for instance, reports that food stores now account for about 15% of its business, up 20% from last year. Bill Lawrence, marketing director, believes that food store sales will continue to climb and that film will begin to be sold in a greater number of locations within the store.

As consumers grow in their photographic sophistication, purchases are trending away from 126 film and toward 35mm, while 110 is holding its own. Lawrence adds that he sees more and more supers adding sku's of 400 ASA 35mm film with a greater number of exposures per roll. Moreover, he sees more supers adding slide film to their assortment.

Alan Karcher, director of food trade relations for Eastman Kodak, also reports increased interest in 35mm film. Kodak's recent introduction of its VR 100, 200 and 400 35mm film, debuted in early '83, extends its previously announced VR

features of the week
Why Pay More!
$4.29
99¢
99¢

1000 line. VR films promise improved speed, grain and color reproduction as well as increased sharpness.

Karcher also reports an increase in disc film activity, corresponding to the sales of new disc cameras. He notes that Kodak's camera business in food stores has "doubled or even tripled" since the introduction of the affordably priced disc model.

In the instant film segment of photo needs, Polaroid is holding its leadership position. According to Jim Hildebrand, marketing manager, "In many cases, we have over 80% of instant film retail units. Supermarket sales of instant film seem to be trending toward two-packs, where the consumer perceives a better value. In addition, helped by Polaroid's introduction of a blister-carded pack that is more visible and discourages pilferage because of its larger size, self-service sales of film seem to be rebounding.

Polaroid is also predicting that based on sales to date, the under-$40 camera will be hot in '83; retails of Polaroid's Sun 600, selling at a $39.95 list are already outselling the popular One-Step 600, often promoted at under $20.

One advantage of the Sun 600 is that it has a built-in strobe. In fact, the proliferation of cameras that don't need outside flash attachments, along with the growing popularity of high-speed film, has hurt flash sales, causing them to plunge 37% in '82 over '81.

Film processing, on the other hand, is a growth area. In 1982, supermarket sales of processing shot up about 60% over 1981. Eleanor Ehrlich, director of marketing for Berkey Film Processing, says some of the increase is due to retailers promoting and advertising their processing centers. Winn-Dixie, Grand Union, Pantry Pride, Publix, Giant, Pathmark (with its own lab), Schnucks and Acme are all doing well with processing. Significantly, Acme, which went into procesing only one year ago, today considers it one of its biggest profit items.

Many supers today are pushing photo-finishing with ads and premiums offering to make two prints whenever a certain number of rolls are brought in for processing.

Genuardi's in Philadelphia offers consumers a larger, 4-in. print from regular 35mm film and is generating substantial consumer excitement in its photo-finishing department.

Toys: Although toys have historically gotten short shrift in supermarkets, the past year saw the category emerging from its cocoon. Sales climbed a hefty 88.4% in 1982 to just under $210 million. Growing retailer interest in toy profits—dollars totaled $78.5 million and margins averaged about 37.4%—and a new emphasis on established, quality brands gave supermarket toy departments a long-awaited boost.

For 1983, Mattel has developed full, supermarket-geared sections of Mattel products that include such hot items as Barbie, Hot Wheels and Masters of the Universe, priced at $6 and under, with most retailing in the $2-$3 range.

Fisher-Price, which introduced its total program for supermarkets at the 1983 Toy Fair, is trying to help retailers tap a year-round toy market. The program features fast-moving, under-$5 items such as rattles, Animal Grabbers and a spinning butterfly. Items are offered in prepacks, appropriate for supermarket merchandising. George Miller, senior manager of national accounts for Fisher-Price, reports that the program has already been sold into Pathmark, Big Bear and several divisions of Safeway.

In sporting goods, Spaulding is merchandising a new line of lower-end, though quality-controlled baseball gloves, with retails ranging from $9.99 to $13.00, as well as a line of polyvinyl chloride "play balls," appropriate for all sizes of supers. Balls

Cake Pans
Lasagna Pans
Broiler Pans

are imprinted with such popular superheroes as Superman, Batman, Spiderman and the Incredible Hulk.

Automotives: Although automotives was one of the hottest categories found in supermarkets only a few years ago, today it has flattened out, and retailers are paring departments down to only the most reliable sku's. Even superstores and combos, while not cutting back on sections, are scrutinizing items more carefully in an effort to get more sales and profits from the space invested.

In total, automotives and marine supplies sales dropped almost 48%, and dollars slipped from just under $285 million to $148 million.

Motor oil is still the department's best seller, but according to Paul Shipman at Phillips "66" Petroleum Co., 12-qt. "tray packs" are also picking up steam. New motor oil containers that make pouring and storing easier are also helping to perk up sales.

Looking at specific varieties of oil, 10W 40 is still the leader, but once General Motors begins its new TV ad campaign advising consumers to use 10W 30 in their new cars, a shift in consumer purchase patterns may develop.

Cookware/cutlery: Cookware brought in almost $212 million in supermarket sales last year and surpassed $68 million in dollar profit. No new entries significantly sparked the market, but SilverStone items maintained their strong hold on supermarket sales. Tree displays still outnumbered other merchandisers, and in-and-out promotions were perhaps somewhat more popular than everyday in-line sections.

In the disposable segment of the market, foil cookware and bakeware enjoyed strong sales surges in '82, according to market leaders. Foil items have been ignited by the growing trend in two-income households where neither wife nor husband wants to waste time or energy in cleaning up, especially during the workweek. While generics may be seeing some sales gains, the no-frills disposables are not taking enough of a bite out of the market to worry such market leaders as Dur-Able Aluminum and E-Z Por.

Gadgets: When it comes to gadgets, growing consumer interest in gourmet cooking plus a recession, which has revived an interest in home-cooked meals, has fueled the trading-up trend.

Ekco's Cook's Cove, introduced in 1982, features a grouping of gourmet-style items, priced between $3-$5.

Bonny Products in January introduced The Epicures, a complete kitchen tool line with tickets averaging $2.49 to $2.69 per item.

Glassware/china: China goods, especially dinnerware, took a nosedive in supers last year as retailers, concerned with going back to basics, paid little attention to the category, concentrating instead on the more stable glass drinkware and bakeware lines. Drinkware climbed almost 30% in 1982, and it was a toss-up as to whether four-packs or bulk glasses contributed more to the increase. Supers tended to stock up on better quality items than in years past, acknowledging the consumer trend toward trading up.

According to retailers, ice tea glasses did well in promotions, and pinks and blues were among top-selling colors.

Sunglasses: Most outdoor-related items, such as barbecue goods, outdoor furniture and gardenware, took a turn for the worse in '82 due to the abundance of rainy weekends that depressed spirits as well as retail sales. Sunglasses were not immune from the damaging effects of the lack of the sun's rays, and sales plodded along, posting a meager 1.9% increase in dollars for '82 over '81.

Sales might have been stronger however, if supermarkets treated sunglasses less an in-and-out item and more of an everyday commodity. Simply promoting sunglasses does not allow a successful consumer franchise to become established.

Buddy Sklar, senior vice president of Opti-Ray, says 1983 sales indicate a trend toward trading up. □

Card-carrying members of $25 million club

Space allocations and turns improve for card departments, while erasable pens spark writing instrument sales

Greeting card suppliers sent out some powerful messages to shoppers and retailers last year—and none of them came in the form of a get-well card.

Foremost among those messages was this: Supermarkets continue to be the biggest growth area for greeting card sales. Today they claim between 10% and 12%, or more than $25 million of the $2.5 billion total industry sales, and many suppliers expect that 1982 figure to reach 20% before the decade is out.

Gibson/Buzza alone increased its supermarket business 60% in 1982.

And while nearly 85% of all stores under construction have card departments, 65% of all existing stores carry cards in gondolas averaging between 54 ft. and 72 ft. according to Gibson vice president Webster Schott.

Retailers have always liked the 50% margins greeting cards can earn for them, but now that the trade has learned more about proper merchandising and minimalizing general merchandise inventory, footage for card sections is on the increase, up 15%-18% over last year.

In fact, in 1982, large combination stores widened space allocations from 90-110 linear feet to 160-224 linear feet, with some going as high as 265. With the expanded space, average yearly turns for some retailers hit five-seven in 1982, a strong increase over 1981's average of four-six. And some larger units recorded annual turns of up to 10-12.

With the faster turns and the remarkable increase in department footage, many retailers grabbed more than 4.66% department profit which is average for this category.

Much of the growth is tied to shifting demographics. Gibson's Schott says: "Sales and footage are growing because margins are good, but also because of a basic social change. Fifty-two percent of women 19-59 are working and have less time to shop recreationally for greeting cards. So they buy them where they shop most often—the supermarket."

Partly as a result, weekly sales per linear foot are on the upswing. Greeting cards are averaging about $10 per linear foot per week, with some retailers at the high end of the spectrum reportedly averaging as much as $20. American Greetings says its high-end retailers sometimes do as much as $25 per linear foot per week.

Overall, industry sources say, cards sold in 60,000-sq.-ft. stores were pulling in an average of 0.6% of store sales and card sections in larger stores with huge GM departments doing about 1% of store sales.

Healthy growth is expected to continue in 1983, particularly since all major suppliers introduced a wide array of new products in 1982 to fill the expanded footage.

Ambassador, a Hallmark subsidiary that holds a 47% share of supermarket card sales, released two new card lines in 1983—"Off the Wall" and "Shirt Tales"—and four new endcap displays. Ambassador, with 7,000 products including gift wrap and party supplies, supported the new entries with heavy trade advertising.

American Greetings, with 24% of the category in supers, was the first major manufacturer to announce a full line of musical greeting cards, priced at $4.50. A thin computer chip implanted within each card plays 30 notes and lasts for a year.

Gibson/Buzza unveiled a new 8-ft. Kirby Koala display in the fall and recorded strong success with its licensed Garfield line, which sold about 18 million units in 1982. Gibson expects to do 35% better than that—25 million units—in 1983.

"Compared to other licensed character lines, we believe Garfield is between 50% and 75% more productive," says Schott.

In 1982, Gibson also offered retailers a new twist on its Everything Up display system. When Everything Up was introduced in 1979, the company promised that by putting all inventory on display, retailers would experience a 100% increase in turns and zero understock. Every-

Cards, Stationery, Supplies: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Gift Wrap, Greeting Cards	**4.98**	**$ 25.03**	**$ 19.37**	**29.22**	**4.66**	**$ 10.89**	**12**	**43.5**
Stationery and School Supplies	**95.02**	**477.53**	**413.70**	**15.43**	**95.34**	**222.65**	**216**	**46.6**
Envelopes	8.05	40.44	33.52	20.64	8.38	19.57	12	48.4
Tape	10.73	53.91	56.53	– 4.62	10.90	25.45	13	47.2
Fillers	5.75	28.88	26.45	9.19	4.24	9.91	4	34.3
Pens, Pencils, Felt Tips	17.24	86.65	77.77	11.42	18.32	42.81	38	49.4
Tablets [Incl. Steno Pads]	6.13	30.81	31.75	– 2.95	6.82	15.93	15	51.7
Stationery	2.68	13.48	8.75	54.06	2.86	6.67	5	49.5
Crayons, Chalk, Markers	3.45	17.33	14.06	23.26	3.55	8.30	8	47.9
Binders	2.30	11.55	10.52	9.79	2.09	4.87	4	42.2
Subject, Theme Notebooks	10.73	53.91	28.22	91.03	10.50	24.53	16	45.5
Paste, Glue, Mucilage	3.45	17.33	17.60	– 1.52	3.96	9.24	6	53.3
Memo, Scratch Pads	3.83	19.25	15.83	21.60	4.18	9.76	9	50.7
Typing, Tracing, Graph, Carbon Paper/Pads	1.15	5.78	5.21	10.94	1.04	2.42	2	41.9
Twine, Labels, Brown Wrapping Paper	0.38	1.93	3.44	– 43.89	0.36	0.83	4	43.1
Art Materials, Paints, Brushes	1.53	7.70	5.21	47.79	1.39	3.25	5	42.2
Erasers, Eradicators	1.53	7.70	3.44	123.84	1.41	3.30	4	42.9
Sharpeners, Staplers, Staple Removers, Paper Scissors	1.15	5.78	3.44	68.02	1.06	2.47	5	42.7
Rubber Bands, Clips, Pins, Staples, Fasteners	1.15	5.78	3.44	68.02	1.46	3.40	5	58.8
Folders, Files, Index Cards	1.92	9.63	14.06	– 31.50	1.87	4.37	7	45.4
Playing Cards, Chips	3.06	15.40	12.09	21.49	3.19	7.45	6	48.4
All Other Stationery Supplies	8.81	44.29	42.37	4.53	7.76	18.12	32	40.9
Total	**100.00**	**$502.56**	**$433.07**	**16.05**	**100.00**	**$233.54**	**212**	**46.5**

% of total store volume . . . 0.26%

*Adjusted to reflect the latest update of Bureau of Census figures.

thing Up Plus now takes air space occupied by panels at the bottom of the display and utilizes it with display hooks and shelves. According to Schott, selling space has increased 35% and retailers have picked up an additional turn a year.

Stationery: While stationery and school supply lines didn't enjoy as large a footage bonus, the burgeoning trend toward at-home offices sent sales up 15%. Volume in the theme-notebook subcategory rose 91% to $54 million, while eraser sales increased 124% to $7.5 million. Stationery sales were also up—54% to $153 million.

The category as a whole accounted for $478 million, or 27% of total industry sales in 1982. One-stop shopping, as well as profitable promotional programs available at back-to-school and income tax time, were part of the reason for the increase.

Pens, pencils: Writing instrument sales, however, grew a modest 11.4% and unit sales dipped slightly, falling below the 3 billion level. As in recent years, category growth was due mainly to the technological advances in erasable pens.

As a category, erasable pens are only four years old, but already they account for 30% of all ball point pens sold at retail.

Scripto has stepped up its attack on the low-priced stick pen segment with a new erasable ball point priced at 69¢. According to company executives, a seven-figure national advertising/promotional program will support the product throughout 1983.

PaperMate, too, doubled its business in erasables last year.

Even BIC, with half the ball point pen market, recognized erasable growth potential and unleashed a new erasable in March backed by a $9 million ad campaign.

Scripto is even trying to cut into wooden pencils with a new plastic, ultra-thin mechanical pencil priced at 69¢. In 1982 total industry sales for mechanicals topped $68 million.

In the stick pen subsegment, PaperMate continued to close in on market leader BIC, recording a 34% share, up from only 13% several years ago. Food store volume for the company's stick star, Write Bros., was up 50%.

Pilot, meanwhile, dominated the low end of the market with its Fineliner markers. Sales for the Fineliners grew 30%, while ad expenditures shot up 40% for the 100-sku line.

PaperMate, which also controls the correction fluid market with a 75% share, released a Liquid Paper for pen and ink corrections. The new product helped boost category sales more than 30%. □

Health & Beauty Aids: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Hair Care	15.54	$ 1,582.76	$1,499.31	5.57	17.93	$ 495.23	486	31.3
Creams & Lotions	5.46	556.10	519.49	7.05	5.99	165.35	163	32.2
Oral Hygiene	13.47	1,370.95	1,262.86	8.56	12.60	347.95	158	25.4
Hygiene Needs	13.89	1,413.31	1,251.76	12.91	13.88	383.17	220	27.1
Medications	22.58	2,298.57	1,971.71	16.58	23.84	658.37	487	30.2
Men's Toiletries	6.38	648.89	586.44	10.65	6.90	190.42	116	29.3
Baby Needs	16.59	1,688.65	1,391.85	21.32	10.16	280.57	121	16.6
Cosmetics	3.56	362.00	274.97	31.65	5.24	144.72	284	40.0
First Aid	2.53	258.02	215.10	19.95	3.46	95.51	72	37.0
Total	100.00	$10,179.25	$8,973.39	13.44	100.00	$2,761.29	2,107	29.9

% of total store volume . . . 5.29%

*Adjusted to reflect the latest update of Bureau of Census figures.

Variety adds life to overall sales

Supermarkets' share of H&BA sales was up 12% in 1982. Hottest segments: creams & lotions, shaving brushes, blades

The unbeatable combination of high traffic and the steadily increasing consumer demand for convenience pushed 1982 supermarket health & beauty aids sales to $10.02 billion, nearly 12% beyond 1981 sales of $8.9 billion. Accounting for inflation, real sales were up 6%.

Footage in most supermarkets had just about leveled off for H&BA in 1981, but more space was allotted the category in '82 as stores were remodeled or retrofitted.

This added space, combined with bigger displays, greater retailer and manufacturer advertising/promotional support and heightened consumer awareness toward supermarkets' ever-broadening H&BA assortments infused the category with enough energy to maintain its healthy sales pace.

Early indications point to a continuation of this growth trend in 1983. Towne-Oller, whose supermarket panel represents 28% of all food stores, posted a first-quarter 1983 H&BA dollar increase of 12% over that same period 1982. First-quarter '83 shows an approximate 4% unit gain over same period '82—the best unit increase since third-quarter 1979.

Despite the growth, however, not all the news in H&BA was good. The tragic deaths from cyanide-tainted Tylenol put a damper on the whole over-the-counter market segment in late '82, but early in 1983 Tylenol and other brands embroiled in the tampering crisis made a phenomenal recovery, and today the packaged medications category seems no worse for the wear.

Suppliers, however, did have to invest in repackaging, and while these higher costs have not as yet been passed along to the consumer, 1983 may well see some price hikes in certain categories.

Still and all, H&BA emerged from 1982 accounting for a respectable 5.20% share of total supermarket sales. Medications topped the list of volume leaders, with analgesics accounting for a sizable portion of the $2.18 billion business. Baby needs followed, bringing in $1.68 billion. Hair care came next with $1.58 billion, and dentifrices rang up $1.37 billion.

Baby needs, one of the volume winners, also took honors as a growth leader in '82, posting a 21%-plus increase over 1981. Cosmetics' growth climbed over 31% as retailers boosted space allocations in order to accommodate the demand for broader selections. First aid, thanks to the increased aches and bruises of runners, weight lifters, tennis players and other home-grown athletes, climbed approximately 20% over 1981.

Packing in profits: As for H&BA profitability, the category overall picked up almost 6% of total supermarket gross profit dollars. Margins averaged 27.6%, down slightly from 1981 due to increased promotional

activity and price sensitivity for key H&BA segments. Mean gross margins ranged from a low of just under 11% for heavily promoted disposable diapers to a high of 59% for hair care accessories.

As a subcategory, medications brought in the most profit dollars, totaling $658 million in 1982; hair care fell in next with $495 million, followed by hygiene at $383 million and oral hygiene at approximately $348 million.

Consumers put some pressure on dollar volume as they continued to avoid "hernia-sized" products, in 1982, choosing instead to purchase next-to-largest and midrange sizes that promised good value but demanded a smaller cash outlay.

The same desire that prompted consumers to trade down in sizes translated into some increases in private label, at least for certain categories. High-ticket vitamins, for example, saw about 32% of its dollar volume go to private label; about 14% of baby powder sales came in through private label brands, according to Towne-Oller. Generics accounted for a minimal share of H&BA dollars, as consumers perceived brand names and store-backed private labels to be worth a few extra pennies in exchange for the assurance of better quality.

Yet it was not just consumers who were attempting to keep costs in line in '82. Supermarket buyers were eying their own ledger sheets, trying to minimize costs wherever possible. Accordingly, buyers placed restraints on inventory levels, a trend that will surely continue well into '83. At store level, this meant a reduction in the number of items on the shelf at any given time. The strategy here was to beef up turns, maintain volume and hold down inventory investment.

Jim Kyle, H&BA buyer for Texas-based Tom Thumb supermarkets, is typical of those retailers who expressed concern at the bombardment of manufacturer sku's. He's taking a hard line at keeping inventory in tow. "The proliferation of brands and sizes is going to kill us," he says. "I just can't carry it all. At one time I counted 30 sku's of a single brand of analgesic on the shelf."

Kyle's answer to the problem is to cut back on the number of sizes carried. The result? "I've cut my inventory, raised my turns and increased my volume. And I've seen solid sales increases in both '82 and '83."

VITAMINS

Vitamins are targeting children, hoping to increase their share of the H&BA market beyond its current 10%. Sales of children's vitamins are split between drug and food stores. Mass merchandisers account for only a small portion of the children's vitamin business.

Among the most significant new entries in the children's vitamin market for '82 was Centrum Jr. from Lederle Labs. Touted by the firm as the "first chewable vitamin and mineral supplement made especially for children, Lederle is hoping the product will share in the success of topseller Centrum for adults.

Rexall's entry into the children's market was Pac Man chewables, a no-sugar formulation that, according to Cleve Tegtmeyer, product manager for the vitamin line at Rexall, is the first children's vitamin having different formulas tailored to two age groups: preschoolers and children 4 years of age or older. Rexall claims to rank No. 2 next to Miles' Flintstones. Not to be outdone, J. B. Williams has introduced Popeye children's vitamins.

While the overall vitamin market did soften somewhat, sales still climbed. Though some of that growth was attributable to increases in vitamins for kids, a good deal was also sparked by increases in the number and size of supermarket vitamin sections. Food chains such as Safeway, Kroger and National, along with a rash of independents, are now boasting complete departments consisting of national and regional brands as well as private labels, which account for about 32% of vitamin sales in supermarkets.

The expansion of supermarket vitamin programs cleared the way for the rise of singles—vitamins geared to specific needs—which are growing in demand by ever more health-conscious consumers. Among the new entries into the singles market were three from Miles: a B complex, a two-stage time release product called Vitapace from One-A-Day, and a high-potency B complex with C.

ORAL HYGIENE

Capturing almost 14% of total H&BA sales, oral hygiene items continue to bring in steady sales and profits for supermarkets. The major trend last year unfolded with the introduction of Act fluoride rinse from Johnson & Johnson. Packaged in a unique, squeeze-up container, the item caught consumers' attention and grabbed a sizable dollar share within a few months of its debut. Act sparked an increase in sales of Fluorigard, a fluoride rinse from Colgate, and indeed expanded the entire subcategory.

Toothpaste brought in almost $790 million as the major brands, including Crest, Colgate, Closeup and Aim, continued their gel wars. According to Towne-Oller, the toothpaste market is skewing toward gels; since 1981, gels have gone from a zero share of all consumer toothpaste purchases to a current 35%

H&BA/Oral Hygiene: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Denture Needs	10.25	$ 140.56	$ 120.24	16.90	12.56	$ 43.71	24	31.1
Dentifrices	57.59	789.45	716.43	10.19	49.85	173.45	63	22.0
Toothpaste	55.20	756.72	686.54	10.22	46.76	162.70	59	21.5
Tooth Powder	0.28	3.85	3.44	11.92	0.35	1.22	1	31.7
Tooth Polish	2.11	28.88	26.45	9.19	2.74	9.53	3	33.0
Toothbrushes	7.16	98.20	106.08	− 7.42	11.46	39.87	26	40.6
Mouthwash & Breath Sprays	21.77	298.45	283.05	5.44	21.36	74.31	31	24.9
All Other Oral Hygiene Needs	3.23	44.29	37.06	19.51	4.77	16.61	14	37.5
Total	100.00	$1,370.95	$1,262.86	8.56	100.00	$347.95	158	25.4

% of total H&BA volume . . . 13.47%

*Adjusted to reflect the latest update of Bureau of Census figures.

share. The 6.4-oz. size in both gels and pastes is still the most popular.

An interesting sidelight in the dentifrice market is the showing made by pastes and polishes aimed at smokers, including such items as Topol, Clinomint and, to a certain extent, Pearl Drops. Within their targeted market, sales of these products increased as smokers and others took pains to whiten yellowing teeth.

Toothbrush sales softened somewhat, though '83 will see an intensified effort to perk movement of children's products through the increased merchandising of licensed characters. Oral B, for example, is bringing out Star Wars toothbrushes to coincide with the release of the *Return of Jedi* movie.

BABY NEEDS

After years of baby boomers' delaying child-bearing, many have finally decided to take the plunge and—welcome the baby boomlet of the 80's. This was good news for marketers and retailers of baby H&BA, for it sparked a healthy sales increase of over 21%, pushing dollar volume to $1.68 billion. Of course, a good portion of those dollars belongs to the disposable diaper category, in itself accounting for $1.05 billion in sales and over 40% of the baby H&BA volume. Supers account for about 50%-55% of the baby H&BA business.

Among the new entries that put some bounce into the category was Johnson & Johnson's replacement of baby soap with Baby Bar, a non-soap touted to be exceptionally gentle. Also from J&J, a reformulated baby bath and an improved version of its baby washcloths helped to plump the category. J&J still controls a major portion of the baby care market, though Diaparene from Glenbrook, Baby Magic from Mennen and Chesebrough's Vaseline baby products still hold some share.

Private label and generics, too, have made some inroads into the baby care market, especially in the powder segment. Towne-Oller reports first-quarter 1982 private label share of baby powder units at 13.2%, and generics' share at 6.2%, bringing the total of nonbranded baby powder units in food stores to an almost 20% share.

H&BA/Baby Needs: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Bottles & Nipples	2.17	$ 36.58	$ 35.29	3.66	5.23	$ 14.67	15	40.1
Baby Oils, Lotions & Ointments	4.11	69.32	65.38	6.03	7.96	22.32	13	32.2
Baby Powder	3.65	61.62	60.07	2.58	6.17	17.32	8	28.1
Diapers	6.11	103.23	51.67	99.79	7.25	20.33	2	19.7
Swabs	6.04	102.05	93.69	8.92	11.60	32.56	11	31.9
Diapers, Disposable	62.60	1,057.09	944.92	11.87	40.69	114.17	25	10.8
Soaps & Shampoos	4.33	73.17	83.08	−11.92	6.86	19.24	9	26.3
All Other Baby Needs	10.99	185.59	57.75	16.99	14.24	39.97	38	21.5
Total	100.00	$1,688.65	$1,391.85	21.32	100.00	$280.57	121	16.6

% of total H&BA volume . . . 16.59%

*Adjusted to reflect the latest update of Bureau of Census figures.

H&BA/Personal Hygiene: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Sanitary Goods	**42.91**	**$ 606.53**	**$ 590.78**	**2.67**	**36.77**	**$140.91**	**51**	**23.2**
Napkins	27.38	387.02	352.07	9.93	22.92	87.85	32	22.7
Tampons	14.85	209.88	237.04	– 11.45	13.15	50.37	17	24.0
Belts & Other Accessories	0.68	9.63	1.67	476.65	0.70	2.69	2	27.9
Feminine Hygiene Products	**7.22**	**102.05**	**74.23**	**37.48**	**8.95**	**34.29**	**27**	**33.6**
Deodorant & Antiperspirants	**49.46**	**698.95**	**583.31**	**19.82**	**53.83**	**206.25**	**140**	**29.5**
Spray	13.62	192.55	175.10	9.97	14.12	54.11	42	28.1
Roll-On	15.94	225.28	203.42	10.75	16.99	65.11	40	28.9
Cream	1.36	19.25	17.60	9.37	1.64	6.28	5	32.6
Stick	14.85	209.88	150.32	39.62	17.20	65.90	39	31.4
Pads	0.14	1.93	1.67	15.57	0.17	0.65	1	33.9
All Other Deodorants & Antiperspirants	1.23	17.33	8.75	98.06	1.47	5.63	3	32.5
Powder	2.32	32.73	26.45	23.74	2.24	8.58	10	26.2
All Other Hygiene Needs	**0.41**	**5.78**	**3.44**	**68.02**	**0.45**	**1.72**	**2**	**29.7**
Total	**100.00**	**$1,413.31**	**$1,251.76**	**12.91**	**100.00**	**$383.17**	**220**	**27.1**

% of total H&BA volume . . . 13.89%

*Adjusted to reflect the latest update of Bureau of Census figures.

PERSONAL HYGIENE

Deodorants: A good portion of the "solid sales increases" reported for '82 came from deodorants, historical top sellers in supermarkets. In 1982, deodorants posted sales of just under $700 million, up almost 20% over 1981. Food stores account for approximately 51% of total deodorant sales.

Basically, the old standards like Secret, Sure, Ban, and Arrid brought in the big bucks for supers. Gillette's Right Guard saw some share erosion because of its inability to gain a dominant position in the nonaerosol segments.

Gillette, hoping to regain its leadership through a $28.2 million restaging of its 19-piece Right Guard line, will back the campaign with $13.5 million in media and $14.7 million in consumer and trade promotions. According to Gillette, this will be the most extensive and aggressive product launch in its history.

Deodorant marketers are also taking sharper aim at the women's market. Shulton brought out Ladies Choice solid, last year, and Mennen, trying to do in women's deodorants what it was able to achieve in the men's area with its Speed Stick, is rolling out a Ladies Speed Stick.

The most exciting news in deodorants, however, is Lever's new Impulse, an all over body spray introduced in the spring of 1982. Impulse accounted for the bulk of the increase in aerosol sales for '82.

In fact, the success of Impulse seems to be sparking a whole new subcategory of body sprays. Fabergé has introduced its Fabergé protein spray to compete with Impulse, and Bristol Myers is reportedly looking at a similar product now marketed overseas—Mum 21—for United States penetration under a different brand name.

Sanitary goods: The big story in sanitary goods was the gain made by the external segment and the slippage in the internal protection area. Supermarket sanitary goods sales for 1982 totaled approximately $607 million, up 2.67% over 1981. Closer examination of the category shows that napkins grew nearly 10% in dollars, while tampons declined 11.45% from 1981. In 1981, total tampon media expenditure was $35.38 million; marketers expect that figure to dip to $19.85 million in 1983.

The negative press concerning toxic shock syndrome, first brought to the attention of consumers during the 1981 Rely tampon/toxic shock syndrome scare, has had an unmistakable impact on the tampon market, particularly for those brands that touted super-absorbency, now believed to be related to the harmful effects of TSS.

After the TSS scare, attention shifted to external protection. At the same time, new technology, perhaps prompted by the change in consumer demand, enabled the production of different forms of external pads. Large, bulky "maxi pads" dropped from a 57% share of the total sanitary market to a 44% share as consumers went to "thin maxis" —thinner, more comfortable pads that promise the same absorbency of the larger form.

Almost all new entries for '82 centered in the thin maxi market. Tampax, a 1981 entrant into the external protection market, completed the national roll-out of its thin maxi line and is now in the process of introducing its Super Maxi Thins to all classes of trade. Sure & Natural extended its line with a deodorant pad in 1982 and in early 1983 Procter & Gamble introduced Always in a Minneapolis test. New Freedom's thin maxi is also being introduced nationally.

At retail, many buyers and merchandisers are responding to the category shifts by dropping the largest sizes of thick pads in order to expand space for thinner versions. Yet, as might be expected, manufacturers are still discontent with the space allotments in supers, believing that the proliferation of products and product forms have not enjoyed a corresponding increase in space allotted to externals, now the biggest segment of the market. Supermarkets currently account for about two-thirds of total sanitary sales.

FIRST AID

First aid, or the more trendy "sports medicine," did well in food stores in 1982, increasing nearly 20% in sales to hit $258 million. First aid items accounted for just over 2½% of total H&BA volume in supers, and brought in over $95 million in gross profits, thanks to solid margins that averaged over 37%.

Joggers, cyclists and other self-styled athletes pushed the bandage and tape category up almost 22% for 1982. Adhesive bandages, thanks to Johnson & Johnson's new flexible bandages, moved well in '82.

Additonally, first aid preparations used to prevent runners' chafing and soothe bruises saw healthy gains of nearly 15% in 1982.

MEDICATIONS

All medications brought in over $2 billion—nearly 22% of total H&BA volume—for 1982.

Pain relief: While almost all manufacturers described '82 as an exciting year, perhaps none had so great a claim to that statement as with McNeil Consumer Products' star brand, Tylenol, involved in a tampering crisis that caused the death of several consumers as well as a mass panic among shoppers.

Me-too tampering with Anacin and Excedrin made shoppers reluctant to buy any pain relievers for a time.

However, after the initial shock wore off, McNeil and parent firm J & J accomplished the impossible. Through an inspired marketing plan aimed at approaching the consumer with honesty, information and integrity, and after a $100 million loss against 1982 products for J & J, the firm began to rebuild the brand.

It repackaged Tylenol in a three-tiered, tamper-resistant pack and met the media head on. The upshot of it all is that today, industry data point to Tylenol's significant sales comeback and its recapturing of the No. 1 slot in several markets.

Ultimately, in spite of the Tylenol calamity, internal pain relievers captured $620 million in sales and climbed almost 18% over 1981. Major trends for 1982 and early '83 include the push in maximum-strength and arthritis formulations.

Glenbrook, makers of Bayer, launched a new maximum-strength product in January of '83 and repositioned Bayer Timed Release aspirin as an arthritis pain reliever. First-quarter '83 also saw the introduction of Panadol from Bayer, a product that has been marketed in Europe for the past 30 years. Panadol will compete with Tylenol in the acetaminophen market, along with Datril and Anacin 3.

Bayer may have sparked a minor trend by coating aspirin tablets to allow for easy swallowing.

Cold symptom relief: Soaring medical bills and a continuing recession fueled the trend toward self-medication, sparking a 21% increase in sales of cold symptom relief products over '81. The category topped $550 million, accounting for more than 25% of profits for the medications category. Again, keeping track of all the brands, sizes and items kept retailers jumping, as sku's at the warehouse averaged 119.

The introduction of Teldrin multisymptom capsules underscored the trend toward "multisymptom relief," also addressed in marketing plans by Comtrex and Co-Tylenol.

A. H. Robins introduced

H&BA/First Aid: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Bandages & Tapes	**50.00**	**$129.01**	**$105.89**	**21.83**	**50.48**	**$48.22**	**36**	**37.4**
Adhesive Bandages	35.07	90.50	76.00	19.08	35.43	33.85	23	37.4
Gauze & Bulk Bandages	8.96	23.11	15.83	45.99	8.86	8.46	7	36.6
Adhesive Tapes	5.97	15.40	14.06	9.53	6.19	5.91	6	38.4
Cotton & Cotton Balls	**14.18**	**36.58**	**29.98**	**22.01**	**14.52**	**13.86**	**8**	**37.9**
First-Aid Preparations	**30.60**	**78.95**	**68.81**	**14.74**	**29.62**	**28.29**	**22**	**35.8**
Petroleum Jelly	11.94	30.81	31.75	– 2.95	10.06	9.61	5	31.2
All Other First-Aid Preparations	18.66	48.14	37.06	29.90	19.56	18.68	17	38.8
First-Aid Kits	**1.49**	**3.85**	**5.21**	**–26.09**	**1.57**	**1.50**	**2**	**38.9**
All Other First-Aid Items	**3.73**	**9.63**	**5.21**	**84.84**	**3.81**	**3.64**	**4**	**37.8**
Total	**100.00**	**$258.02**	**$215.10**	**19.95**	**100.00**	**$95.51**	**72**	**37.0**

% of total H&BA volume . . . 2.53%

*Adjusted to reflect the latest update of Bureau of Census figures.

H&BA/Medications: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Stomach Relief	14.66	$ 336.96	$ 318.25	5.88	14.38	$100.63	67	29.9
Antacids	8.71	200.25	221.11	− 9.42	8.15	57.07	37	28.5
Laxatives	4.94	113.60	77.77	46.07	5.23	36.58	25	32.2
All Other Stomach Relief Products	1.01	23.11	19.37	19.31	1.00	6.98	5	30.2
Cold Symptom Relief	23.96	550.69	454.51	21.16	23.96	167.73	119	30.5
Pills & Capsules	8.13	186.77	183.95	1.53	7.79	54.54	43	29.2
Cough & Sore Throat Products	9.30	213.73	166.25	28.56	9.65	67.54	47	31.6
All Other Cold/Allergy Symptom Relief	6.53	150.19	104.31	43.98	6.52	45.66	29	30.4
Pain Relief	30.32	697.03	582.03	19.76	25.95	181.74	89	26.1
Internal	26.97	620.01	527.27	17.59	22.31	156.24	69	25.2
External	3.35	77.02	54.76	40.65	3.64	25.49	20	33.1
Stimulants & Sedatives	1.42	32.73	26.45	23.74	1.41	9.85	7	30.1
Vitamins & Tonics	17.00	390.67	348.53	12.09	19.59	137.13	114	35.1
Foot Care	2.26	51.99	49.45	5.14	2.64	18.46	36	35.5
Eye Care	4.19	96.27	68.92	39.68	4.66	32.64	21	33.9
Rubbing Alcohol & Witch Hazel	1.26	28.88	29.98	− 3.66	1.61	11.28	4	39.1
Diet Aids	1.75	40.18	37.06	8.42	2.19	15.35	5	38.2
All Other Medication & Medical Needs	3.18	73.17	56.53	29.44	3.61	25.24	25	34.5
Total	100.00	$2,298.57	$1,971.71	16.58	100.00	$700.03	487	30.5

% of total H&BA volume . . . 22.58%

*Adjusted to reflect the latest update of Bureau of Census figures.

Sportscreme
$1.79

Robitussin Night Relief to compete with Nyquil in the night-time cold relief market. George Mancini, vice president-sales and marketing for the health care department, reports that the item has made Robitussin a strong No. 2 in the night-time category.

The cough market became even more competitive in 1982, with Dow, Robins, Dorsey and Vicks stepping up their ad programs. A. H. Robins, intends to gain a larger share of the cough market this year through its introduction of Extend 12, a long-acting cough preparation that "breaks the time barrier in cough control."

Laxatives: Enjoying a dramatic dollar increase in '82, laxatives garnered over $113 million in sales, up 46% over last year. Food stores, accounting for about 60% of food/drug laxative sales, are the growing area of trade for the laxative market.

George T. Masaitis, vice president of marketing for Ex-Lax Pharmaceutical Co., reports that while the laxative market is up in terms of dollars, "it is somewhat level in terms of consumption patterns. Bulks such as Metamucil are showing good sales and are riding on the naturals trend."

To try to increase business, Ex-Lax introduced Extra Gentle Ex-Lax in 1982, a mild stimulant plus stool softener that is competing against Correctol. Ex-Lax is hoping to reach a younger segment of the women's population with its extra-gentle formulation. Thus far, consumer reception is reportedly good. Searle, makers of Metamucil, introduced Prompt in 1982, and early reports show the product performing well.

Eye care: Eye care is a small but growing subsegment of the medications category. Such traditional products as Murine and Visine had a "decent" year in '82, but the real growth in the eye care category continues to be in the contact lens preparation market.

For the 12 months ended December 1982, contact lens preparations ranked among the top growth categories listed by Towne-Oller, registering an approximate 53% dollar increase. While these increases support Towne-Oller's panel only and are not projectable, they still pinpoint a solid area of growth.

Entries included a weekly cleaning system from Barnes-Hind and a lens lubricant from Allergan. In early '83, Bausch & Lomb introduced Sensitive Eyes Saline Solution for soft lenses, with a budget that is slated to top $2 million a year.

In both 1982 and '83, the market shows a trend away from mercury-based preservative solutions and toward nonpreserved products, which are generally accepted as being gentle on the eyes.

Dick Brandt, head of marketing for Bausch & Lomb, also notes a trend toward combination products such as B & L's Sensitive Eyes saline and cleaner combination.

Brandt reports that supermarket share of the contact lens prep market stands at about 15%, but that supers are the fastest-growing channel of distribution. The market for contact lens products grows every day; currently 16 million people wear lenses, with about an even split between soft and hard. Since soft lenses account for about 85% of all new fits, however, soft lens preps will carry the bulk of new sales in the years ahead.

Diet aids: While 1982 experienced a general softening of this subcategory, the end of the year saw some healthier developments. First, the appetite suppressants segment of the market, which had been declining because of bad press for phenylpropanolamine (PPA), began to show some signs of recovery. And 1982 saw the successful introduction of Extra Strength Dexatrim Plus Vitamins, another product trying to take advantage of the health and fitness craze.

Menley & James made a push into the category with Dietac, but it failed to snare market leadership from diet aids kingpin Thompson Medical and its Dexatrim line of appetite suppressants.

The other major trend in 82's diet aids category was the return to prominence of meal replacements brought about by the advent of the Cambridge diet.

Thompson responded to the Cambridge diet by restaging Slim Fast, a meal replacement and Thompson's answer to the door-to-door sales tactics that had been cannabalizing retailers' diet aids sales. Don Lupone, vice president-marketing for Thompson, reports that the firm repackaged and line extended Slim Fast, in addition to developing an entirely new ad and consumer promotional campaign.

MEN'S TOILETRIES

Men's toiletries and shaving needs raked in almost $650 million in sales, up a respectable 10.65% over 1981, and accounted for almost 6.5% of total H&BA volume. Hefty profit margins of nearly 30% translated into gross profit dollars of $190 million for 1982.

The shaving needs category brought in most of the dollars, with creams accounting for $123.23 million, blades for $263.79 million, razors and kits, almost $54 million and disposables nearly $83 million. Disposables enjoyed an increase of nearly 52% over 1981 volume, and according to brand leaders Bic and Gillette, account for anywhere from 33% to 38% of all razor sales.

The major market leaders, including Bic, Gillette, Schick and Wilkinson, offered larger numbers of disposable razors in pouch packs. Rather than buying disposables in smaller packs, consumers seem to be finding better value in multiple packages of five's, 10's or even more.

The shaving cream market had no real dramatic entries in '82, but sales held firm. Gels continued to gain share, and creams held their own.

In the men's toiletries market, sales climbed almost 40%, with much of the credit going to such perennial favorites as Old Spice and Skin Bracer. Most retailers and suppliers agree that it's the popularly priced basics that still bring in the bulk of supermarket sales.

H&BA/Toiletries: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Shaving Cream	**18.98**	**$123.23**	**$105.78**	**16.50**	**18.82**	**$ 35.85**	**31**	**29.1**
Brushes & Lather	0.59	3.85	1.67	130.54	0.70	1.34	3	34.8
Aerosol, Plain	10.68	69.32	56.53	22.63	10.48	19.96	14	28.8
Aerosol, Special Scents	7.12	46.21	44.14	4.69	7.06	13.45	13	29.1
Aerosol, Hot Lather	0.59	3.85	3.44	11.92	0.58	1.10	1	28.6
Razor Blades	**40.66**	**263.79**	**249.43**	**5.76**	**37.82**	**72.02**	**25**	**27.3**
Razor & Razor Kits	**8.31**	**53.91**	**56.53**	**– 4.62**	**8.58**	**16.34**	**8**	**30.3**
Disposable Razors	**12.76**	**82.80**	**54.76**	**51.21**	**13.74**	**26.17**	**11**	**31.6**
Pre- & After-Shave Lotions	**12.17**	**78.95**	**56.53**	**39.66**	**13.35**	**25.42**	**25**	**32.2**
Cologne	**1.78**	**11.55**	**15.83**	**– 27.03**	**1.96**	**3.73**	**5**	**32.3**
Hair Care Products	**5.04**	**32.73**	**35.29**	**– 7.24**	**5.40**	**10.28**	**10**	**31.4**
All Other Men's Toiletries	**0.30**	**1.93**	**12.29**	**– 84.29**	**0.33**	**0.63**	**1**	**32.4**
Total	**100.00**	**$648.89**	**$586.44**	**10.65**	**100.00**	**$190.42**	**116**	**29.3**

% of total H&BA volume . . . 6.38%

*Adjusted to reflect the latest update of Bureau of Census figures.

H&BA/Hair Care: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Hair Care Accessories	**5.72**	**$ 90.50**	**$ 96.93**	**– 6.62**	**10.80**	**$ 53.50**	**76**	**59.1**
Combs & Brushes	1.58	25.03	37.06	–32.45	3.16	15.67	16	62.6
Curlers & Rollers	0.73	11.55	10.52	9.79	1.28	6.34	12	54.9
Pins & Clips	0.61	9.63	17.60	–45.27	1.29	6.38	12	66.2
All Other Hair Care Accessories	2.80	44.29	31.75	39.50	5.07	25.11	36	56.7
Hair Sprays [Women's or Unisex]	**16.18**	**256.09**	**237.04**	**8.04**	**14.94**	**74.01**	**66**	**28.9**
Setting Lotion & Gels	**0.49**	**7.70**	**10.52**	**–26.80**	**0.49**	**2.43**	**4**	**31.5**
Conditioners	**18.13**	**286.90**	**268.89**	**6.70**	**17.67**	**87.50**	**76**	**30.5**
Misc. Hair Preparations	**0.61**	**9.63**	**6.98**	**37.97**	**0.60**	**3.00**	**4**	**31.1**
Hair Coloring Products	**9.49**	**150.19**	**129.09**	**16.35**	**8.10**	**40.10**	**97**	**26.7**
Home Permanents & Curl Relaxers	**1.70**	**26.96**	**22.91**	**17.68**	**1.63**	**8.09**	**14**	**30.0**
Shampoos	**45.73**	**723.98**	**675.73**	**7.14**	**43.93**	**217.52**	**141**	**30.0**
Dandruff Shampoos, All Types	4.38	69.32	77.77	–10.86	3.82	18.92	11	27.3
All Other Liquid Shampoos	37.09	587.27	523.73	12.13	36.18	179.12	120	30.5
All Other Types of Shampoos	4.26	67.39	74.23	– 9.20	3.93	19.48	10	28.9
Creme Rinses	**1.95**	**30.81**	**51.22**	**–39.84**	**1.84**	**9.09**	**8**	**29.5**
Total	**100.00**	**$1,582.76**	**$1,499.31**	**5.57**	**100.00**	**$495.23**	**486**	**31.3**

% of total H&BA volume . . . 15.54%

*Adjusted to reflect the latest update of Bureau of Census figures.

HAIR CARE

Hair care ranks among the top volume and profit producers for supermarkets. While the total category climbed a modest 5.57% in 1982, hair care still represented approximately 16% of total H&BA volume.

The category, which features shampoos and conditioners among its star performers, is both a bane and a blessing to retailers: Although it brings in a large share of H&BA profitability—1982 dollar volume totaled approximately $1.6 billion in sales and $495 million in gross profits—it's a nightmare of inventory management. Warehouse sku's totaled 486 in 1982, and constant new entries in sizes, brands and flavors keep retailers hopping as they try to keep today's "favorites" in stock.

Hair care accessories, particularly curlers, rollers, pins and clips, plummeted in 1982 as consumers continued to lean toward easy-care cuts.

Shampoos continued to see some dollar growth, though here, too, units fell off slightly compared with 1981. This sluggishness was caused by the absence of any really hot new product entries and the stabilization of incidence of usage. Simply put, men and women already shampoo their hair so frequently that it's unlikely this frequency will show any further increase in the years ahead.

The major trend in shampoos was a continuation of the popularity of professionals, among them Sassoon, Jhirmack and Jheri Redding. Sassoon, which introduced a dandruff shampoo this year, may be able to spark an increase in the dandruff shampoo segment of the market, which dropped over 10% in 1982.

Finesse from Helene Curtis, introduced in '83, may also be able to piggyback on the success of its conditioner and add some zest to the shampoo category overall. Ivory shampoo from Procter & Gamble is still in test, but reports indicate some sluggishness in sales.

One new product in 1982, FOHO (For Oily Hair Only) from Gillette, is seeing an anticipated slow but steady build-up, according to Gage Heath, marketing manager. The product is targeted at a narrow market—the 20% of hair care users who describe themselves as having oily hair—but it may be able to develop a long-lasting consumer franchise.

Some of the steady movers from years past started to slip in 1982, among them Pert and Silkience shampoo. Revlon's Flex is still moving well through food stores, and the manufacturer is determined to ensure that growth by pumping promotional dollars into the line.

Another trend within the shampoo and conditioner category was the continued interest in naturals for '82. Jojoba and aloe vera shampoos did well, and henna products began to see some renewed consumer interest. Revlon repositioned its Milk Plus 6 shampoo, adding carotin and jojoba and "extra body."

Systems—shampoo plus companion conditioner—also picked up some steam in '82, with Finesse, FOHO, Sassoon, Fabergé, Agree and St. Ives all promoting twin packs of shampoo and conditioner.

While noting that the "advent of the dual packs" was a key factor for '82, Associated Grocers of Colorado's Bill Eatherton, corporate director of general merchandise, is skeptical about their success: "The price is less than the two separately, so that makes them attractive to consumers, but my concern is that consumers don't use as much conditioner as they do shampoo, so this may slow repeat sales."

Hair sprays held their own last year: $256 million in sales represented an 8% increase over 1981. Sales for hair coloring rose over 16% as supers rang up $150 million for that subcategory.

CREAMS & LOTIONS

Accounting for a little more than 5% of total H&BA volume, the creams and lotions category saw some softening last year. Specifically, suntan products, cited as a growth category for 1981, dropped in both dollars and units. Unseasonably cold weather and lots of rain in the summer of '82 took its toll on the overall suncare market, although within that segment sunscreens did manage to salvage some decent growth.

Dorac Banta, director of food trade sales for Westwood Pharmaceuticals, reports an increase in unit sales in SPF 15's, the total sun blocks. Apparently, consumers are heeding the much-publicized reports about the sun's harmful effects and looking to sun blocks to shield them from danger.

Teens and adults fighting complexion problems purchased much of their treatments in supermarkets in '82. Medicated creams, lotions and soaps posted an approximate 34% dollar increase, pushing the subcategory to nearly $187 million for 1982. The medicated segment of this market accounted for almost 38% of department profitability.

Sales of face creams and lotions slipped somewhat, though hand and body lotions held their own. Four new entries at the end of '81—Vaseline Dermatology Formula, Soft Sense, Jergens with Aloe and Lanolin and Raintree—sparked an increase that flowed into 1982. Last year also saw lots of heavy consumer promotion and a mid-year relaunch of Wondra, which helped pep up the hand and body lotion and cream segment. Year-end '82 did see some weakening in sales, but marketers blame unseasonably mild weather for the decline and are hopeful that '83 will see some sales growth.

H&BA/Cosmetics: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Facial Cosmetics	**12.23**	**$ 44.29**	**$ 40.41**	**9.60**	**13.03**	**$ 18.85**	**37**	**42.6**
Compacts, Liquid & Stick Makeup	9.57	34.66	26.45	31.04	9.94	14.38	31	41.5
Powder Puffs	1.60	5.78	3.44	68.02	1.92	2.77	3	48.0
Face Powder	1.06	3.85	10.52	− 63.39	1.17	1.69	3	44.0
Lipsticks	**13.83**	**50.06**	**45.91**	**9.04**	**15.12**	**21.88**	**73**	**43.7**
Manicure Items	**23.93**	**86.65**	**58.20**	**48.88**	**25.45**	**36.82**	**82**	**42.5**
Nail Polish	12.23	44.29	21.14	109.51	12.95	18.74	66	42.3
All Other Manicure Items	11.70	42.36	37.06	14.30	12.50	18.09	16	42.7
Bath Products	**16.49**	**59.69**	**63.50**	**− 5.99**	**13.06**	**18.90**	**17**	**31.7**
Talcum Powder & Medicated Powder	7.45	26.96	29.98	− 10.06	6.09	8.82	7	32.7
All Other Bath Products	9.04	32.73	33.52	− 2.35	6.97	10.08	10	30.8
Eye Makeup & Accessories	**19.16**	**69.32**	**21.14**	**227.91**	**20.54**	**29.74**	**64**	**42.9**
Perfumes, Toilet Water, Cologne, Towelettes	**6.91**	**25.03**	**31.75**	**− 21.16**	**6.88**	**9.96**	**4**	**39.8**
All Other Cosmetics & Cosmetic Accessories	**7.45**	**26.96**	**14.06**	**91.75**	**5.92**	**8.57**	**7**	**31.8**
Total	**100.00**	**$362.00**	**$274.97**	**31.65**	**100.00**	**$144.72**	**284**	**40.0**

% of total H&BA volume . . . 3.56%

*Adjusted to reflect the latest update of Bureau of Census figures.

COSMETICS

Though bringing in a relatively small share of total H&BA dollars (3.61%), cosmetics enjoyed excellent growth through supermarkets in 1982. The category climbed almost 32% to hit $362 million last year. Gross profits nearly reached $145 million from the average 284 sku's stocked.

Top growth subsegments within the cosmetics category were powder puffs; which jumped 68%; manicure items, which soared almost 50% (including an over 100% gain in nail polishes), and a 91% rise in cosmetics accessories. Cover Girl's new Make Up Mates takes credit for much of the increase in accessories sales.

The popularity of accessories has a great deal to do with the growing sophistication of today's woman. The larger number of working women has developed a broader, more cosmetics-wise consumer who feels more confident using cosmetics and demands a wider variety of colors to meet the needs of her daytime, playtime and night-time activities.

Cover Girl's 1982 introduction of its Shape & Blush kit, with blush, contour and highlighter, and Maybelline's Eye Expert shadow kit, which gives the consumer complementary eye shadows as well as information on how to apply them, both found success by capitalizing on the awareness of this educated, more experimental consumer.

At the retail level, more supers are getting into cosmetics, carrying the major lines—Maybelline, Cover Girl, Max Factor and Revlon. Modular units have made it easier for stores to merchandise cosmetics with attractive displays that fine-tune space utilization.

Some supers such as Farm Fresh, H. E. Butt and other large superstores and combo units, have developed full-fledged cosmetics boutiques, complete with full-line cosmetics and fragrance sections. And while fragrances continue to grow in supers, only in those stores where space and ambience permits upscale designer lines have any significant sales been achieved.

According to Bob Taber, senior vice president of sales for Maybelline, food stores' share of cosmetics sales reached almost 26% in '82, with unit movement approaching the 17% mark. He forecasts that by 1985-86, supers' share of the drug/food/mass merchandiser cosmetics business will hit 20%.

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ETHNIC

Ethnic H&BA, still neglected by some supermarketers, is on the rise in some sections of the country. Rocky Picirillo, head buyer for Beauty Enterprises, a distributor of ethnic H&BA, says, "Space is growing, but it's still way below what it should be."

Generally, he says, a successful ethnic section exhibits the following proportions: in stores with traffic of 15%-20% blacks, 4-ft. sections; traffic of 25%-40% blacks, 8-ft. sections; traffic over 40% blacks, 12-ft. sections.

Statistics show there are 26.5 million black consumers in the United States today, comprising 12% of the United States population and purchasing about 36% of all hair care products.

The past few years have seen some shifting of the ethnic market. Johnson Products Co., which was the leader in mass market ethnics with its Afro Sheen line, has slipped from its No. 1 spot, surpassed by Soft Sheen's Carefree Curl line and by M & M Products' Sta-Sof-Fro and Sof & Free.

Today, the competition is fast and furious, as each of the majors continue to step up advertising efforts and launch new products.

For example, Soft Sheen is budgeting over $5 million for radio and print advertising of its products. M & M concentrated ads in trade magazines and radio in '82, but will move into national consumer print in '83, with ads in *Ebony, Essence* and *Vogue*.

As for new entries in '82, Soft Sheen introduced its cocoa cream skin cream, marking a departure from its concerted efforts in the hair care field, and a new, more diversified strategy for the company as a whole. M & M introduced its Sof & Free line of curl maintenance products positioned for the female market; the line includes a curl activator, moisturizing spray for curls, moisturizing shampoo and conditioner, conditioner/rinse, light conditioning hair dressing and 6-oz. gel activator.

The fashion for black consumers is the wave look and the curl look in both very short and longer versions, so that curl maintenance products will be hot this year. But while the traditional Afro look is "out," relaxer kits can be used for the wave look and consequently will still be seeing some good activity in the year ahead. ☐

SHARE THE WEALTH...
Put the #1 selling cold tablet in pharmacies on your shelf*

Sudafed S.A.
SUDAFED PLUS
sudafed syrup
SUDAFED COUGH syrup
sudafed 30 mg tablets
12 HOUR
#1 SELLER

SUDAFED is the #1 selling cold tablet*

According to Pipeline data, SUDAFED 30 mg tablets in packages of 24s leads both Contac® and Dristan® in pharmacy sales.

And you can continue to draw on an already profitable picture by displaying the entire SUDAFED line:

SUDAFED® S.A.
A sustained-action nasal decongestant for potent 12-hour relief without drowsiness. (Available as 120 mg capsules in packages of 10s and 40s. Not recommended for children under 12 years of age.)

SUDAFED® PLUS
For symptomatic relief of colds and allergy.

SUDAFED® COUGH SYRUP
For potent cough relief.

SUDAFED® SYRUP
For reliable decongestion — tasty raspberry flavor.

SUDAFED® (pseudoephedrine hydrochloride) ...A complete line of cold products to improve your "bottom line"

*Pipeline, April 1982

Wellcome
Burroughs Wellcome Co.
Research Triangle Park
North Carolina 27709

Magazines & Books: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Paperbacks	33.75	$ 469.82	$ 412.24	13.97	31.75	$167.26	21	35.6
Magazines	60.30	839.51	759.10	10.59	64.38	339.16	34	40.4
Tabloids	5.95	82.80	76.00	8.95	3.87	20.37	3	24.6
Total	100.00	$1,392.13	$1,247.34	11.61	100.00	$526.79	58	37.8

% of total store volume . . . 0.72%

*Adjusted to reflect the latest update of Bureau of Census figures.

Retailers review periodicals: 'best ROI in nonfoods'

Family Reading Centers and full-line book departments take off as supers learn to promote romance and adventure

Greeting Cards
Stationery
2
akery

America's long-time lust for reading, combined with today's trend toward one-stop shopping, has propelled books and magazines into one of the most profitable and fastest-growing areas in the supermarket.

"It gives us our best ROI of any nonfoods category," says William Glazier of Foodarama ShopRite. "It's one of the top five categories in all our stores."

Last year books and magazines generated nearly $1.4 billion in supermarket sales, an 11.6% gain from 1981. But more importantly, with their 37.8% margins, they registered as the fourth most lucrative category in the store.

Retailers say they'll continue to expand space for publications, especially since they have an impulse sales rate of over 90%; carry little or no warehouse, transportation or handlings costs; turn up to 50 times a year, and are backed by publisher advertising that runs well over $100 million a year.

While front-end fixtures have been the main display vehicle for years, industry associations, distributors and retailers are trying today to markedly increase profits by creating finely tuned, highly visible in-store magazine and book sections.

The Family Reading Center concept, developed by the Periodicals Institute, is now in about 500 stores.

And of the 334 supermarket accounts serviced by the United News Company in Philadelphia, 220 now have in-store reading centers. Just in the last few months alone some 80 stores, including 32 Acmes, added full-line book departments.

Meanwhile, eastern chains are continuing to capitalize on the expertise and name of Barnes & Noble, the well-known New York book merchant. Barnes & Noble store-within-a-store outlets are now in 38 Pathmark and eight Stop & Shop units. Foodarama will shortly be installing them in its ShopRite stores in New Jersey.

The sections, which can range from 650 to 2,500 sku's, sell paperbacks 10% below the cover price. Hardcovers are marked down 15% and *New York Times* best sellers 33%. Regional distributors service the section.

RDA: At the magazine rack, publishers, fully aware of the bonanza that increased supermarket reading centers represent, are moving to resolve the late payment RDA problem. Sources indicate that larger publications seem to have basically

Unit Movement

The following chart shows each magazine and book category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Paperbacks	90	44.55
Magazines	103	50.99
Tabloids	9	4.46
Total	202	100.00

DAVID NIVEN
Night Chills
FALL BACK
FITNESS & DIET
SHAPE

worked out most of these snags, but there are still some major problems with the smaller magazines.

In some instances, retailers have been able to get payments only after threatening to withdraw certain titles. Now, third-party companies have sprung up to help supermarkets process and collect RDA payments.

"The RDA situation in the industry has improved enormously in the last year and a half," says Larry Kirshbaum, circulations vice president for Condé Nast. He feels that better communications between retailers and publishers helped his company increase supermarket sales of *Cosmopolitan*, *Glamour*, *Mademoiselle* and *Self* by 9% last year.

Some of the biggest supermarket sellers have stayed clear of the RDA problem by simply not using it. *TV Guide* gives retailers 25% of the cover price for each copy sold, while *Woman's Day, Family Circle, The Globe, The National Enquirer* and *The Star* give a 20% margin and supply front-end fixtures.

Male sophisticate magazines continue to present a dilemma for many retailers. While these high-circulation publications represent strong profit potential, their availability at supermarkets could possibly alienate some shoppers. Even though *Playboy* and *Penthouse* are readily available in many stores west of the Mississippi, it appears it will take a while before they will be sold in many stores in the eastern United States.

In an effort to take advantage of the increased food store market, several sophisticates now say they're willing to reduce front-cover nudity and tab copies so that the magazines cannot be opened before purchase. For their part, some retailers have experimented with courtesy counter sales and "bagged" copies sold discreetly and directly by the checkout clerk.

Romance paperbacks: The biggest news in the paperback book section, which now accounts for about a third of category sales, is the skyrocketing interest in romance novels. Once the exclusive domain of Harlequin, strong competition for this segment is now coming from the Silhouette line from Simon & Shuster, Harlequin's former distributor.

Silhouette will try to surpass Harlequin this year by budgeting around $15 million in network TV advertising—a figure that could go

If you paid full price...
you didn't get it at Barnes & Noble in Stop & Shop
Magazines
Cold Beer

as high as $25 million next year. The publisher estimates that about half its romance line business will come from supermarkets this year, as compared to about 30% in 1982.

Harlequin, whose new line of American Romance books offer retailers a "two for the price of one" incentive, is pouring an estimated $10-million-plus into advertising to maintain a share estimated to be a little over 50%.

"Romances are now 40% of the paperback business," observes Bud Egbert, Silhouette's vice president for sales. "Last year, it was only 30%." That will surely go even higher as women, still the predominant supermarket shoppers and also the primary romance readers, are lured to these titles by increased in-store reading sections—areas that are now found in almost every superstore.

Many retailers have now installed special romance "boutiques," usually on three-tier spinners that contain up to 168 pockets. The market for romances now includes about 20 million readers who average two books a month. Readership is expected to rise another 10% this year.

"We're now selling a quarter of our paperback romance titles in supermarkets," says Bob Avery, vice president and book sales manager for Dell Books, which comes in third in the segment. "That's about twice the number we sold last year."

Apart from the romance segment, best sellers account for about a quarter of all supermarket paperback sales. Bantam Books has captured a healthy share of this component on the strength of its Louis L'Amour frontier Americana novels. His latest, *The Lonesome Gods*, went into supermarkets in hardcover in April. Bantam has already had 200,000 copies run and is supporting the book with a $100,000 advertising campaign.

Category paperbacks, dealing with such subjects as health, cooking and science fiction, command about 25% of the segment. Their recent sales spurt may be due to the high rate of unemployment, which has made more reading time available.

Movie tie-ins have also reaped big profits for retailers, especially such blockbusters as *E.T.* and *Rocky III*.

Safeway reportedly sold 600,000 copies of *Shogun* last year on the strength of the TV miniseries, and was similarly successful with its big in-store promotion earlier this year for Herman Wouk's *The Winds of War*, the subject of this year's highly rated miniseries.

Merchandising programs: Cross-merchandising has also afforded supermarkets additional and very lucrative marketing opportunities. "We put baby books in the baby food aisle and placed children's publications in the cereal section," says Jeff Leathers, Price Choppers' store engineering manager.

The Arlington, Tex., Safeway prototype markets its health food books in the natural food section. Other chains have put pasta recipe books in the Italian food section.

"We've done five times the sales volume on this category since we began cross-merchandising," notes Brian Joyce, Dominick's GM director.

Albertson's has one of the most aggressive merchandising programs in the category. "Atypically, our best sellers are running neck and neck and probably edging romances out of first place," says cooperative advertising manager Stan Carter. The Boise-based chain places eight best sellers in special fixtures it installed at each checkout in 1976. "Since we put those in our stores, we've doubled and tripled our sales volume in this category," Carter adds.

Some estimates show that supermarkets may soon account for nearly half of all magazine and paperback sales in this country. However, retailers will have to actively and imaginatively merchandise this category to maintain that share as fierce competition for the reader's dollar is certain to come from nonfood retail outlets. □

Space takeaway game results in lower-than-expected sales and profits

Low turns and higher inventory costs push soft goods out to make way for produce, natural foods and service sections

Because of the expansion of other departments, soft goods in supermarkets is contracting. Fresh produce is getting more space, nutrition sections are burgeoning, and there are more service bakery, fish and deli departments than at any other time in the past 25 years.

The extra space for these upscale departments is mostly coming from general merchandise—particularly soft goods.

Typical is Safeway's move into bulk foods in its southern California superstores, and First National's and Purity Supreme's expansion into bulk foods in the East. Before Safeway installed 140 running feet of 100-lb. barrels and 60 running feet of 40-lb. canisters of natural foods, a typical soft goods department in a Safeway superstore consisted of 20 ft. of hanging apparel; 12 ft. of domestics; 4 ft. of men's-boys' underwear; 8 ft. of pegged socks; 12 ft. of shoes, and 16 ft. of women's hosiery.

To make room for the barrels and canisters of natural foods, four soft goods categories were eliminated: apparel, underwear, domestics and shoes. Other general merchandise, such as housewares, were cut back, but only soft goods were deep-sixed.

Comments a Safeway nonfoods manager: "I think it's a mistake. We were doing a good job with soft goods in this store, but turnover can't compete with bulk foods. My district manager tells me that bulk foods will increase total store sales 2%. But soft goods has an intangible benefit no one seems to be considering: It makes us more of a one-stop store than the competition." ☐

Soft Goods: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Hosiery	54.37	$436.70	$454.61	− 3.93	57.51	$175.53	146	40.2
Pantyhose	46.89	376.64	394.54	− 4.53	49.85	152.16	125	40.4
Stockings	7.48	60.06	60.07	− 0.01	7.66	23.36	21	38.9
Men's & Boys' Wear	5.09	40.87	38.74	5.50	4.83	14.75	46	36.1
Underwear	3.21	25.76	22.91	12.44	3.75	11.44	38	44.4
All Other Men's & Boys' Wear	1.88	15.11	15.83	− 4.54	1.08	3.31	8	21.9
Ladies' & Girls' Wear	2.40	19.25	24.68	−21.99	2.62	7.99	5	41.5
Infants' Wear	2.40	19.25	19.37	− 0.61	2.63	8.03	13	41.7
Millinery	0.22	1.78	1.67	6.59	0.21	0.64	5	35.9
Gloves & Mittens [Not Rubber]	1.92	15.40	24.68	−37.59	2.37	7.24	6	47.0
Socks	8.45	67.83	63.61	6.63	9.02	27.54	39	40.6
Shoes	1.44	11.55	11.14	3.68	0.61	1.87	3	16.2
All Other Apparel	0.46	3.70	3.44	7.56	0.50	1.53	6	41.3
Towels & Washcloths	11.69	93.83	91.73	2.29	11.35	34.63	41	36.9
Towels	6.35	50.95	49.45	3.03	6.06	18.50	25	36.3
Washcloths	2.70	21.70	19.37	12.03	2.24	6.84	4	31.5
Dishcloths	2.64	21.18	22.91	− 7.54	3.05	9.30	12	43.9
Pot Holders	2.40	19.25	14.06	36.91	2.63	8.03	16	41.7
Tablecloths & Placemats	2.33	18.73	14.06	33.21	2.22	6.76	13	36.1
Bed Coverings	1.64	13.18	13.96	− 5.58	1.13	3.44	10	26.1
Sheets & Pillowcases	0.48	3.85	5.21	−26.09	0.39	1.19	4	30.9
All Other Bedding	1.16	9.33	8.75	6.63	0.74	2.25	6	24.1
All Other Soft Goods For The Home	2.45	19.66	17.60	11.70	2.37	7.24	13	36.8
Yarn	1.62	13.00	12.29	5.78	0.00	0.00	6	0.0
All Other Needlecraft Items	1.12	9.00	8.75	2.86	0.00	0.00	0	0.0
Total	100.00	$802.98	$814.39	− 1.39	100.00	$305.20	368	38.0

% of total store volume . . . 0.42%

*Adjusted to reflect the latest update of Bureau of Census figures.

Paper spends a fistful of dollars to capture shoppers with a pocketful of pennies

Some manufacturers bring out 'bargain' lines and packs, while others pursue growth with big promotional dollars

The paper chase was on again this year. In a category where the edge on competition can be tissue-thin at best, manufacturers raced each other to the shelf with newly formulated, rewrapped products that they could offer Mrs. Consumer for a few pennies less. And it must have worked.

Bathroom tissue was up over 12% in sales volume. Paper towels and table napkins were up about 8% each, and facial tissue rose about 4%. In what was a tough year for consumers, these items could have been down had it not been for the availability of "bargain" choices.

The challenge for manufacturers was to make a product for less but to keep it soft enough, durable enough and absorbent enough to get the shopper to put her money on the counter for it.

How did they do it? Mostly by shrinking the size of the paper—single plies, but also narrower bathroom tissue, smaller sheets and fewer sheets per roll.

Last June, Procter & Gamble put Banner, a "moderately priced, superior performance" single ply 4-pack in test market in North Carolina, South Carolina and parts of Georgia. The product has 400 sheets per roll and sells for 20% less per case than Charmin on a carload basis.

The company also put a "bargain" paper towel, Merit, in test market in the Washington, D.C., area last August and has since expanded distribution to parts of Ohio and Indiana. The towel is a quilted two-ply that sells for 15% less per case than Bounty on a carload basis.

Certain, a lotioned bathroom tissue that P&G test-marketed late in 1981 in Lincoln, Omaha and Des Moines, is now distributed in Wisconsin as well.

Hefty
Good Scents
STEEL-SAK
Good 'n Tuff
Trash Bags
Trash Can Liners
Hefty ODOR GUARD
100
40
20
8

Scott didn't bring out any bargain brands or lines in 1982; its strategy, to the contrary, was to bring the consumer's attention to its best-selling consumer product, ScotTowels. It did it with a $4 million promotion—the largest the company had ever undertaken for a single brand. It was a match-the-ticket game in which consumers had a chance to win prizes like 1983 Chrysler LeBarons. By mid-July '82, 44 million rolls of ScotTowels containing game tickets were on retail shelves. A Scott source says the promotion was the most successful ever done by the company. For the period of time the promotion was running, the product racked up a record sales volume.

This year, the company is reportedly test-marketing, a 1,000-sheet four-roll polywrapped pack of bathroom tissue.

The biggest packaging news comes from Marcal. It introduced in '82 a polywrapped bundle of 12 4-packs of tissue—a first for the con-

Paper/Plastic Film/Foil: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Freezer Items	1.00	$ 53.91	$ 35.29	52.75	1.60	$ 18.06	17	33.5
Lunch & Sandwich-Size Bags	2.60	140.56	128.98	8.98	3.37	37.98	12	27.0
Plastic	1.99	107.83	97.23	10.90	2.48	27.93	9	25.9
Paper	0.61	32.73	31.75	3.09	0.89	10.05	3	30.7
All Other Size Bags	13.46	727.84	695.29	4.68	18.49	208.07	62	28.6
Paper	0.11	5.78	6.98	– 17.18	0.27	3.01	1	52.0
Plastic	13.35	722.06	688.31	4.90	18.22	205.06	61	28.4
Roasting Bags & Wrap	0.28	15.40	6.98	120.63	0.47	5.28	4	34.3
Plastic Wrap	1.78	96.27	95.46	0.85	2.10	23.68	11	24.6
Aluminum Foil Wrap	6.16	333.11	302.52	10.11	5.15	57.96	12	17.4
Wax Paper	0.53	28.88	26.45	9.19	0.55	6.21	1	21.5
Facial Tissue	10.04	542.99	520.19	4.36	8.54	96.11	21	17.7
Toilet Tissue	26.10	1,411.38	1,252.75	12.65	19.59	220.18	30	15.6
Paper Towels	19.12	1,033.98	952.00	8.61	15.99	179.91	27	17.4
Wet Napkins	0.46	25.03	21.14	18.40	0.61	6.86	4	27.4
Napkins	6.98	377.40	350.30	7.74	6.94	78.12	21	20.7
Paper Table Accessories	0.21	11.55	**		0.33	3.74	3	32.4
Plates & Bowls	5.48	296.53	284.82	4.11	7.85	88.37	34	29.8
Cups & Refills & Plastic Glasses	4.91	265.72	228.19	16.45	6.73	75.73	31	28.5
All Other Paper & Household Wrap Supplies	0.89	48.14	44.14	9.06	1.69	19.66	13	39.6
Total	100.00	$5,408.70	$4,944.50	9.39	100.00	$1,125.32	303	20.8

% of total store volume . . . 2.81%

*Adjusted to reflect the latest update of Bureau of Census figures. **Reflected in All other Paper & Household Wrap Supplies.

sumer paper industry.

The bundles can be shipped on pallets just like they are loaded. A Marcal spokesman estimates it now takes only 30 minutes to unload a truckful of the bundles because they can be forklifted by pallet, as opposed to three hours to unload conventional corrugated boxes by hand. And what's more, the bundles take up 20% less space than corrugated boxes. Not only is the cardboard eliminated, but the polywrap machines actually compress the 4-packs of tissue when they wrap them. That makes 20% more space in the truck. All the saved time and space adds up to saved dollars, which Marcal says it's passing on to retailers.

A Marcal source points out that the polycases are easily opened in the store. "The polywrap rolls up to the size of a softball—a lot easier to dispose of than an aisleful of cardboard." Or the bundles can be put right on the floor at the end of the aisle to provide display for a "by-the-bundle" sale.

This past spring Marcal brought out a double bundle—24 4-packs in a polycase. Not a big difference, but just one more unpacking step saved at the retail end. Also new from Marcal is an 8-pack of bathroom tissue.

A source at one large New York chain says he does well when he features special price promotions on Marcal products, but that Viva, Bounty and Scott account for 75% of sales in the paper category—an indication that national advertising makes the difference.

Plastic film: Plastic wrap stayed about the same in sales volume from '81 to '82. Reynolds went national in '82 with its new plastic wrap packaged in a red and yellow carton to avoid confusion with its foil.

According to industry sources, Reynolds, as of this summer, hasn't succeeded in knocking Dow's Saran Wrap out of the No. 1 plastic wrap spot. Reynolds reportedly carved out about a 15% market share for itself, but Saran still has over 30% of the market.

Earlier this year, Reynolds brought out a new smaller carton for its Oven Cooking Bags. It takes up 16% less space on the shelf than the old carton.

Paper plates didn't have a bad year in 1982. Plates and paper cups are particularly tied to the consumer's discretionary income, but even though '82 was a tough year for consumers sales didn't plummet.

Generics, says one industry source, have surprisingly not dominated the paper plate business. They have less than 20% of the market.

Dixie introduced its first foam plate. It's called LaPlate and comes in 9-in. diameter with 20 or 40 per pack and in 10-in. diameter with 15 to a pack. There's also a companion LaBowl with 12 per pack and LaCup with a 20-count pack. This is the first printed foam line to go national, says Dixie.

Dixie also introduced 3-oz. Smurf paper cups for bathroom dispensers. *Fortune* magazine estimates that $600 million Smurf-related items will be sold during 1983. If that's true, what about Jedi items? Dixie got in on that one, too. At the end of May it brought out a 5-oz. Return of the Jedi paper cup. ☐

Caffeine-free arouses shopper interest

Soda's fastest-growing segments, diet and caffeine-free, could each claim as much as 20% of the market by 1985

Apparently, nothing is about to burst soda's bubble as America's favorite beverage. The rapid proliferation of caffeine-free brands, particularly attractive to elderly and health-conscious shoppers, is generally expected to expand category sales—perhaps by as much as 10%-15% by 1985.

Per capita consumption is already at an all-time high of 40.1 gal., second only to plain water and well ahead of beer, coffee, milk and juice.

When the Seven Up Company began its "Never had it. Never will" campaign last year, it gave birth to an exciting development. Never mind that Sprite, RC-100, Patio Orange, Fanta Orange, Fresca, Hire's Root Beer and reformulated Sunkist were already caffeine-free. The Seven Up campaign met such success that Pepsi quickly jumped in, and Dr Pepper and Coke followed several months later. In the interim, however, the 7 Up brand sailed through 1982 with a 12.2% tonnage gain.

Coca-Cola's delay may have been all Pepsi needed to establish a stranglehold on the caffeine-free cola category. Some trade experts believe Coke's reluctance to trade off its flagship brand name allowed Pepsi to snatch this segment's consumer franchise.

More likely, however, the fight has only just begun. Indeed, another caffeine-free early bird—Royal Crown's RC-100—had a spectacular 145% tonnage jump in 1982. And Coke will never rest easy in the second seat of any segment.

In addition to Seven Up's Like cola, now available in more than half the country, other new caffeine-free sodas on the market are Pepsi Free, Pepper Free and Coca-Cola's caffeine-free Coke, Diet Coke and Tab.

Caffeine-free colas and lemon lime sodas like Seven Up together accounted for more than two-thirds—68.7%—of the category's tonnage growth in 1982. In addition, eight-month-old Diet Coke made up another 10.9% of soft drink's gain last year, as tallied by John Maxwell, analyst at Lehman Brothers Kuhn Loeb and *Beverage Industry.*

Manufacturers estimate that caffeine-free and diet soft drinks could each command 20% of the soda business by 1985, thanks to their improved demographics. Recently, males have flocked to diet drinks, and elderly and health-conscious consumers are drinking decaffeinated.

Not surprisingly, retailers still resist enlarging department space to accommodate expanded packings. Instead, retailers are cross-merchandising more aggressively, and using front-aisle endcaps to attract impulse sales and bolster performance allowances.

Although soft drink makers believe increased use of scanning data by retailers will help the case for store-door brands, many large store operators are doing well with warehouse-shipped sodas.

For instance, Shasta, which delivers to warehouse, experienced an

Soft Drinks & Mixes: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Carbonated Soft Drinks	**88.79**	**$6,527.41**	**$5,969.95**	**9.34**	**89.26**	**$1,850.63**	**307**	**28.4**
Bottled, Regular	48.71	3,581.41	3,342.15	7.16	50.44	1,045.77	258	29.2
Canned, Regular	15.98	1,174.55	1,042.25	12.69	15.41	319.48	19	27.2
Low-Calorie	24.10	1,771.45	1,585.55	11.72	23.41	485.38	30	27.4
Soft Drink Beverage Mixes	**7.83**	**575.72**	**544.86**	**5.66**	**7.34**	**152.13**	**61**	**26.4**
Powders, Presweetened	5.50	404.35	389.23	3.88	5.03	104.32	41	25.8
Powders, Regular	2.33	171.37	155.63	10.11	2.31	47.81	20	27.9
Ice Bars	**0.21**	**15.40**	**17.60**	**−12.49**	**0.36**	**7.38**	**1**	**47.9**
Syrups	**0.03**	**1.93**	**2.21**	**−12.66**	**0.02**	**0.44**	**1**	**22.8**
Nonalcoholic Cocktail Mixes	**0.52**	**38.51**	**30.06**	**28.11**	**0.50**	**10.42**	**9**	**27.1**
Powdered	0.18	13.48	13.22	1.97	0.21	4.31	4	32.0
Liquid	0.34	25.03	16.84	48.63	0.29	6.11	5	24.4
Bottled Water	**2.62**	**192.55**	**137.94**	**39.59**	**2.52**	**52.18**	**13**	**27.1**
Total	**100.00**	**$7,351.52**	**$6,702.62**	**9.68**	**100.00**	**$2,073.18**	**392**	**28.2**

% of total store volume . . . 3.82%

*Adjusted to reflect the latest update of Bureau of Census figures.

18.3% gain in case shipments during 1982. Basically, the surge seemed tied to three variables: a hyped-up ad budget, Shasta's 31-flavor line, which seems to be gaining popularity as Americans grow bored of diets and acceptance by retailers of a non-DSD soft drink. Retailers generally buy Shasta at 15%-20% less than DSD brands.

More important, warehouse-handled private labels continue to sell particularly well. Case shipments of A&P's Yukon gained 12.5% in 1982, Winn-Dixie's Chek rose 9%, Kroger's Big K was up 4.5% and Safeway's Cragmont was up 2.7%. Notably, many Winn-Dixie stores devote one-third of soda aisle space to Chek displays, an aggressive private label posture.

With consolidation definitely the dominant trend in soft drinks, the nation's top four soft drink suppliers—Coca-Cola Co., PepsiCo. Inc., Dr Pepper Co. and Seven-Up Co.—now account for 77% of the category's business.

Interbrand competition remains fierce, however, resulting in virtually nonstop deals with retailers. After two and a half years of severe price discounting, the industry sees no end to this erosion of price integrity. Coca-Cola and Pepsi-Cola brands set the promotional pace, as Pepsi attempts to wrest the industry share lead from No. 1 Coke.

The combined impact of Diet Coke and Pepsi Free introductions caused each of the flagship brands to lose share in 1982—Coke to 23.9% and Pepsi to 18.1%. In food stores, however, the No. 2 brand is gamely holding on to its virtual dead heat position with Coke at roughly 22%.

Overall, soft drink tonnage grew an impressive 2.6%, following 1981's 2.7% increase, says John Maxwell and *Beverage Industry*, predicting similar growth for the next few years as well.

Supermarket sales reflect this trend, climbing 10.5% to $6.53 billion in 1982, or about 3.82% of total store sales.

Much of soda's growth is expected to come from the nation's best-selling brands, which together account for 68.9% of industry volume. Rounding out the top 10, after Coke and Pepsi, are 7 Up (5.2% industry market share), Dr Pepper (5.1%), Tab (3.8%), Sprite (3.2%), Diet Pepsi (2.9%), Mountain Dew (2.8%), Royal Crown Cola (2.3%) and Sunkist (1.6%), as measured by Maxwell and *Beverage Industry*.

Cola sales diminished slightly to a 61% share of the total market, slipping finally to fruit-flavored beverages, which have been gaining popularity over the past few years. Seven Up's tonnage gain caused lemon-lime soda sales to climb to a 12% share of the total market. Sunkist's 18.4% boost lifted orange flavor's sales share to 7.6%. Pepper-flavored soda, led by Dr Pepper, Nehi and Mr. Pibb, now account for 7.8% of industry volume, topping root beer's 5.4% share.

The newest controversy: Seven Up's recently launched ad campaign touting the absence of artificial flavors and colors has caused Coca-Cola to give notice that it will retaliate with a Sprite campaign.

In addition, Dr Pepper's Canada Dry unit has protested to networks that the ads are "deceptive to the consumer."

With a marketing budget that's estimated at nearly twice the size of last year's caffeine-free campaign, it's possible that Seven Up's current ads may alter the category as last year's campaign did.

According to Charles W. Schmid, Seven Up's vice president-franchise, 95% of the soda's 456 bottlers have signed on with the program, which includes new retail point-of-purchase displays.

Fast growth areas: Bottled water continues its long-term sales uptrend, leaping nearly 40% in 1982 to $192.55 million. Sales of nonalcoholic cocktail mixes also grew nearly 30% last year to $38.51 million, mainly because of liquid mixes, which jumped 48% to $25 million, while powdered mix sales were up a scant 2% to $13.48 million. ☐

Spreads: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Apple & Other Fruit Butters	**0.71**	**$ 7.70**	**$ 10.52**	**−26.80**	**0.82**	**$ 2.03**	**2**	**26.3**
Peanut Butter	**55.60**	**602.68**	**629.91**	**− 4.31**	**50.51**	**124.15**	**35**	**20.6**
Marshmallow Spread	**1.24**	**13.48**	**12.29**	**9.68**	**1.27**	**3.13**	**1**	**23.2**
Jellies	**11.90**	**129.00**	**109.43**	**17.88**	**12.32**	**30.32**	**26**	**23.5**
Apple	1.07	11.55	8.75	32.00	1.10	2.71	3	23.5
Grape	8.17	88.57	76.00	16.54	8.10	19.93	14	22.5
All Other Jellies	2.66	28.88	24.68	17.02	3.12	7.68	9	26.6
Jams & Preserves	**25.93**	**281.12**	**248.93**	**12.93**	**29.30**	**72.09**	**44**	**25.6**
Blackberry	1.24	13.48	8.75	54.06	1.52	3.75	3	27.8
Grape	2.84	30.81	24.68	24.84	3.08	7.58	7	24.6
Peach	0.71	7.70	6.98	10.32	0.83	2.05	2	26.6
Raspberry	3.91	42.36	35.29	20.03	4.43	10.89	5	25.7
Strawberry	11.72	127.08	114.93	10.57	12.50	30.75	13	24.2
All Other Jams & Preserves	5.51	59.69	58.30	2.38	6.94	17.07	14	28.6
Marmalades	**3.55**	**38.51**	**35.29**	**9.12**	**4.32**	**10.63**	**6**	**27.6**
All Other Spreads	**1.07**	**11.55**	**8.75**	**32.00**	**1.46**	**3.59**	**2**	**31.1**
Total	**100.00**	**$1,084.0[illegible]**	**$1,055.12**	**2.74**	**100.00**	**$245.93**	**116**	**22.7**

% of total store volume . . . 0.56%

*Adjusted to reflect the latest update of Bureau of Census figures.

Sales jell for jams and preserves

But imports and changing consumer preferences made it a bittersweet year for peanut butter, honey and syrups

Even though spreads and syrups showed minor gains in 1982, it was basically an off-year for most major components of the category. Only jellies, jams and preserves, which benefited from last year's faltering economy and increased promotional activity by manufacturers, did well.

Spreads finished the year up 2.74%, primarily on the strength of jellies and jams, which together registered a 14% gain. That was offset by peanut butter, where lower prices pushed dollar sales 4.31% below 1981.

Although syrups gained 5.43%, the major segments posted declines. Honey dropped 2.65% as more lower-price imports came to market, while competition from alternative sweeteners lowered maple-flavored syrup sales by 1.64%.

Smuckers continued to hold the top market share in the fruit spread segments, partially on the increased strength of its no-sugar products launched in 1978 and taken national two years ago. The line, which contains all regular fruit preserves, is not artifically sweetened.

Welch, which takes the runner-up position in the segment, has only been able to "show a small growth" in its Lite spreads rolled out early last year, according to a company source.

The product, available in strawberry and grape and packaged in an 18-oz. jar, contains more fruit and about a third less sugar than the regular line. Available in less than a third of the country, the spreads are receiving print ad support. Welsh says it's still evaluating the results of its test and awaiting more consumer reaction on the product.

Kraft, which comes in a distant third in the jelly segment, did not expand its 50-spread line any further in 1982, concentrating instead on improving sales of existing lines. Grape jelly in particular did well, says a company spokesman.

Although the amount of peanuts used to make peanut butter was up last year, dollar sales were down over 4% as the increased supplies softened retail prices.

Jif and Skippy continued as the national brand leaders, with Peter Pan remaining in the show position.

All three national brands, however, are up against stiff competition from lower-priced private label and generic brands carried by most major retailers. A&P may be out of the peanut butter manufacturing business, but Kroger, Safeway and Winn-Dixie still produce their own private-label brands.

Syrups: In the honey section, a dramatic increase in lower-priced imports was primarily responsible for a drop in 1982 dollar sales. Moreover, it's possible that in 1983 the more attractively priced foreign product, which could account for half the honey sold in this country this year, may actually hurt sales at the retail level.

U.S.D.A., which is required by law to purchase the resulting surplus American honey, is preparing to give

Syrups: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Molasses	4.88	$ 19.25	$ 15.83	21.60	4.91	$ 4.35	3	22.6
Honey	28.78	113.60	116.70	− 2.65	31.18	27.61	13	24.3
Churned Honey	3.42	13.48	15.83	− 14.84	3.15	2.79	1	20.7
Pure Maple Syrup	5.37	21.18	10.52	101.33	6.55	5.80	1	27.4
Maple-Flavored Syrup	45.35	179.07	182.08	− 1.64	41.65	36.86	17	20.6
Plain	38.52	152.11	157.40	− 3.35	35.41	31.34	14	20.6
Buttered	6.83	26.96	24.68	9.24	6.24	5.53	3	20.5
Corn & Cane Syrups	6.83	26.96	21.14	27.53	6.94	6.15	4	22.8
All Other Breakfast Syrups	5.37	21.18	12.29	72.34	5.62	4.98	7	23.5
Total	100.00	$394.72	$374.39	5.43	100.00	$88.54	46	22.4

% of total store volume . . . 0.21%

*Adjusted to reflect the latest update of Bureau of Census figures.

the needy at least 10 million lb. between now and September. That amount represents about 5% of annual sales. Enabling legislation would be required to extend the giveaway beyond September.

Government sources say they will monitor the honey giveaway program so it doesn't create the commercial displacement the cheese distribution program generated earlier this year.

However, industry sources are concerned that the program might have an impact not only on honey sales but also on other sweeteners sold at the retail level.

Imported honey may also result in an increase of private label and generic sales. The foreign product, which currently sells between 43.5¢ and 50¢, compared to 58¢ a pound for American honey, is usually sold to off-brand manufacturers.

In an effort to make the imports more competitive with domestically produced honey, the Sioux Honey Association, whose Sue Bee line has a 20%-25% share nationally, has asked Congress to increase tariffs from 1¢ to 10¢ a pound. But observers believe that the measure, bogged down in committee in mid-May, has very little chance of passage since it could further strain United States diplomatic ties with the People's Republic of China and would open the Administration to charges of fostering a "protectionist" trade policy.

Another bill, which was referred to a Senate agriculture subcommitte on May 11, would repeal the mandatory honey price support program.

However, the American Beekeepers Federation is currently lobbying against its enactment.

Getting back to the honey shelf, Golden Blossom, which is packed by the Sioux Honey cooperative and which has the major share of the market in the Northeast, registered a 5% sales increase last year, thanks to a heavy TV, radio, print and couponing campaign.

The company, which is also looking toward developing southern markets, is formulating new products that it hopes to unveil next year.

Maple-flavored syrups registered a 1.64% downturn. General Foods' Log Cabin line continued to dominate the category even though Aunt Jemima's Lite line, introduced two years ago, has increased Quaker's maple syrup sales by about a third. With Lever Brothers' Mrs. Buttersworth holding third place in this segment, the top three now claim about 50% of the market.

Quaker, the only national distributor of a low-calorie syrup, gives the line TV, magazine and couponing support.

"Sales are down because most Americans between the ages of 15 and 50 now skip a regular breakfast," says John Michaels, a buyer for Hannaford Brothers in Maine.

Also, the trend to low-calorie consumption may be leading consumers to switch from syrups to alternative pancake toppings such as jams, honey and butter. □

There's a flap over canned chicken, but chili and pasta look good over the long haul

A lack of new products and promos kept sales etherized, but tougher manufacturer strategies promise a better '83

Contrary to popular belief, the canned meat aisle isn't dead. It's just asleep. And now manufacturers are trying to wake it up.

In 1982, fewer and fewer people were led down that aisle. Shoppers tend to think of chunk chicken and tuna as alternatives for one another, and tuna—bargain-priced to reduce a big inventory—was able to compete successfully with canned meat offerings. On top of that, a short hog slaughter in '81 put pork prices up so that canned luncheon meat wasn't the buy people had learned to expect.

Just about every product in the canned meat and canned main dish section was down from '81. Exceptions were beef stew and some poultry products. Alabama-based Sweet Sue, in fact, chalked up a 10% increase in unit sales to retailers in '82.

But overall, unless marketing strategies change, projections for the category are dim. American Can's forecast through 1987 shows a down trend for all items except chili and pasta with meat.

American Can notes, however, that the canned meat category could probably be roused by manufacturers' promotions and advertising or by new product entries.

In fact, in early 1983 the hypothesis began to be explored as manufacturers, tired of the long downward slide that started in the mid-70's, started to act, with Campbell leading the way.

Campbell decided to put the spotlight on its "most contemporary" Swanson label product, chicken a la king. Early this year it began testing 15 different ways to get the consumer's eye on a la king and its sister products. Promotions included radio spots, couponing, in-store ads on carts, banners, slicks and major publicity pieces such as a 4-color brochure featuring 40 recipes utilizing Swanson chicken a la king.

The recipes were distributed at store level—and people obviously wanted them. The original printing was 100,000, and the manufacturer received requests for 500,000 more. Stores also cross-merchandised Swanson a la king with Pepperidge Farm bread and pastry shells.

As a result, sales jumped 20%-30% over the same period last year in the areas where in-store activity and advertising were used together.

Chicken a la king was starred, says a Swanson source, because it's the anchor pin for a whole line of new products the manufacturer is working on. Right now, a family-size a la king is being test-marketed.

Swanson won't spend any additional money to advertise a la king this year, but the focus will change: 62% of the ad and promo budget will be aimed at the consumer. In previous years, that figure was 20%. The rest was directed at trade.

Although Swanson's chunk chicken sales were down more than 5% from '81, the manufacturer attributes that slump in part to the tuna glut and resulting low prices. Also, chunk chicken sales had the misfortune to peak in 1980 and 1981, at a time when double and triple couponing was in vogue.

"We had some high-value coupons out, and when they got tripled, consumers were walking away with a can of chicken for 20¢ or less," says Swanson. "They got used to it and didn't want to pay more when the couponing stopped." The strategy now is to wean shoppers away from that expectation.

The company didn't advertise chunk chicken at all in 1982, but it's airing two different TV commercials this summer in selected markets.

In this diet-conscious era, it's hard to believe that anyone's best seller could be chicken and dumplings, but that's the case for Sweet Sue. National sales manager Whyte Goddard says the company has beaten its unit sales record every year it's been in business. The brand is in the major chains in 27 states; the newest distribution area is Cleveland, Ohio.

Safeway in Dallas and several Giant stores have 4-ft. Sweet Sue Canned Poultry Department displays in the canned meat aisle. "They usually put them right smack between the tuna and the other conglomeration of canned meats and main dishes," says Sweet Sue's Goddard. A Winn-Dixie source uses a Sweet Sue round display several times a year. "It draws people in," he says. "Sweet Sue is a better seller than most other items in the aisle."

While Sweet Sue just kept on opening cans and territories, other manufacturers took a hard look at chicken's flat track and said, "Let's

Canned Meat/Specialty Foods: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Italian Dishes	**21.56**	**$ 240.68**	**$ 311.47**	**– 22.72**	**19.44**	**$ 49.90**	**26**	**20.7**
Spaghetti w/Meat	4.48	50.06	79.64	– 37.13	4.31	11.06	5	22.1
Spaghetti—All Other	3.28	36.58	54.86	– 33.31	2.32	5.96	3	16.3
Macaroni w/Meat	2.76	30.81	47.78	– 35.51	2.75	7.06	4	22.9
Macaroni—All Other	1.38	15.40	14.16	8.76	1.33	3.42	3	22.2
Noodles All Types	0.69	7.70	0.00	0.00	0.57	1.47	1	19.1
All Other Italian Dishes	8.97	100.13	115.03	– 12.94	8.16	20.93	10	20.9
Spanish/Mexican Dishes	**23.11**	**258.02**	**270.76**	**– 4.70**	**25.05**	**64.24**	**45**	**24.9**
Chili—All Types	12.77	142.49	159.27	– 10.53	13.12	33.63	18	23.6
All Other Spanish/ Mexican Dishes	10.34	115.53	111.49	3.62	11.93	30.62	27	26.5
Oriental Dishes	**11.72**	**130.94**	**157.51**	**– 16.86**	**13.28**	**34.10**	**21**	**26.0**
Oriental Dinners	1.55	17.33	23.01	– 24.67	1.57	4.04	2	23.3
Chow Mein	3.45	38.51	46.01	– 16.29	3.69	9.47	6	24.6
Chop Suey	0.17	1.93	7.08	– 72.73	0.22	0.56	1	29.2
Chinese Vegetables	2.24	25.03	35.39	– 29.26	2.73	7.01	4	28.0
Chinese Noodles	2.24	25.03	26.55	– 5.72	2.63	6.76	3	27.0
All Other Oriental Dishes	2.07	23.11	19.47	18.70	2.44	6.26	5	27.1
Prepared Meat Dishes	**12.42**	**138.64**	**141.58**	**– 2.07**	**12.15**	**31.20**	**16**	**22.5**
Chopped Meats w/Sauce	1.21	13.48	12.39	8.80	1.27	3.26	2	24.2
Sliced Meats w/Sauce	0.69	7.70	12.39	– 37.84	0.98	2.53	1	32.8
Hash	5.34	59.69	61.94	– 3.62	5.14	13.19	5	22.1
Stew	4.66	51.99	47.78	8.81	4.13	10.61	6	20.4
All Other Prepared Meat Dishes	0.52	5.78	7.08	– 18.35	0.63	1.61	2	27.9
Prepared Poultry Dishes	**1.72**	**19.25**	**23.01**	**– 16.33**	**1.80**	**4.62**	**4**	**24.0**
Poultry Dinners	1.03	11.55	10.62	8.76	1.04	2.67	3	23.1
All Other Prepared Poultry Dishes	0.69	7.70	12.39	– 37.84	0.76	1.95	1	25.3
Plain Meats	**23.27**	**259.95**	**263.69**	**– 1.41**	**21.47**	**55.08**	**23**	**21.2**
Chopped Meat	1.21	13.48	5.31	153.86	1.27	3.26	2	24.2
Corned Beef	4.31	48.14	44.24	8.82	4.80	12.32	2	25.6
Dried Beef	1.38	15.40	15.93	– 3.32	1.48	3.79	2	24.6
Luncheon Meat & Tongue	5.86	65.47	83.18	– 21.28	3.65	9.36	3	14.3
Vienna Sausages	4.14	46.21	44.24	4.45	4.18	10.72	5	23.2
Meat Spreads	3.10	34.66	38.93	– 10.96	2.82	7.24	4	20.9
All Other Plain Meats	0.86	9.63	7.08	36.02	0.85	2.18	3	22.6
Ham	2.41	26.96	24.78	8.80	2.42	6.20	2	23.0
Plain Poultry	**5.51**	**61.62**	**69.02**	**– 10.71**	**5.93**	**15.19**	**9**	**24.7**
Boned	2.41	26.96	38.93	– 30.74	2.87	7.36	3	27.3
Whole	0.34	3.85	3.54	8.76	0.33	0.84	1	21.9
Spreads	0.86	9.63	8.85	8.81	0.92	2.35	2	24.4
All Other Poultry	1.90	21.18	17.70	19.66	1.81	4.64	3	21.9
All Other Canned Meat & Specialty	**0.69**	**7.70**	**10.62**	**– 27.49**	**0.88**	**2.25**	**2**	**29.2**
Total	**100.00**	**$1,116.80**	**$1,247.66**	**– 10.48**	**100.00**	**$256.58**	**146**	**23.0**

% of total store volume . . . 0.58%

*Adjusted to reflect the latest update of Bureau of Census figures.

do something different."

The No. 2 chunk chicken manufacturer, Hormel, is in the process of reformulating that product and expanding its line. The company had had only white chunk but will now add chunk dark and chunk white and dark. Hormel says its ad budget will be up about 10% this year over last.

The company had a record year for its chili, corned beef hash and Dinty Moore beef stew. And it added two D-shaped Black Label hams to its line—a 1½-lb. and a 3-lb.

Canned ham in general has a dim outlook for the future. American Can projections show it down an average of 2.2% each year between now and 1987. The biggest reason, say industry sources, is the increasing popularity of other types of processed hams, in flexible wrap and deli-slices.

Luncheon meat: In the whole category of canned meats, luncheon meat took a real walloping.

While Stop & Shop says Spam is its No. 2 canned meat seller, (beef stew is No. 1), most chains say luncheon meat is further down the line when compared with all canned meat and main dishes.

Armour for one is doing something dramatic to try to stop the down trend: a first in the canned meat industry, says marketing director Bill Robertson—a sweepstakes called the Armour Star Easy Money Game.

Armour's five major products, the ones that make up $650 million worth of the company's business—Treet, Vienna sausage, chili, corned beef hash and potted meats—have been packaged with gold pull-ring lids. On the under side of the lid—printed in edible ink—is a number or letter. Depending on what symbol she finds there, the consumer can win anything from a cookbook to $5,000. By the beginning of June, the company had 122 million "sweepstakes" cans out nationally.

Armour has also introduced an "accrual contract" trade program this year, which lets chains choose the product or combination of products to display. The company has always directed most of its promotion toward the trade and will continue to do so, Robertson says.

Chains themselves, using trade allowances, tried to bring the consumer into the canned meat aisle. A Winn-Dixie source says he offers Spam, Treet and Vienna sausage at reduced prices in Best Food Day ads or he offers extra trading stamps. Another southern chain runs a special offer for Vienna sausage, potted meat, Spam or Treet about once a month.

One category of canned meat that was up last year was corned beef. Libby reports that sales were "up strongly" in contrast to its other canned meat products; that jump undoubtedly was the result of the company's Follow the Leaner consumer ad campaign, which emphasized that the product has 45% less fat than other types of luncheon meat—and which won an American Marketing Association Effy award.

The company test-marketed three new hashes in the spring of '82—ham, roast beef and pork sausage. All three are still in limited markets, a spokesman says, but he declined to comment further.

Ethnic dishes: While chili and Italian dishes don't look good in the statistics, industry people say they think these will be the movers in the next few years. And American Can's projections agree with that. They show chili up an average of 2.4% a year, and pasta with meat up an average of 4% a year.

Hormel, with a record year for its chili last year, says it's optimistic about the future of that product. It expects sales to go up thanks to growing interest in Mexican and southwestern foods.

So far, regional chili brands say they haven't noticed a significant growth in consumption, but it's holding steady when a lot of canned categories aren't.

Ken Barron, marketing director for Wolf Brand, the biggest-selling chili in the Southwest, says southwesterners eat four times the chili the average American eats. Wolf Brand has tracked level the last few years, but Barron says he anticipates long-range growth.

Rosarita Brand, another regional, which makes such things as refried beans and taco sauce, is in the process of developing a line of canned Mexican main dishes.

Canned pasta with meat is a favorite for growth, industry sources say, because it's easy to prepare. And manufacturers keep introducing new forms of it.

Franco-American this spring brought out UFOs, canned pasta shaped like space ships and space travelers, and meatballs called Meteors. The entry came not too far before the opening of *The Return of the Jedi*—purely coincidental, but certainly convenient, says a Franco spokesman.

There's been action lately in the meat snacks category, a segment that usually has a hard time finding a home. The category, which includes dried sausage, jerky, pickled meat and fried pork rinds, often gets submerged in dried beef or sausage figures. It has, in fact, had a long-time flat track, but part of this $200-$300 million segment could become a mover. American Can projections show dried sausage gaining over 2% a year till 1987.

It's possible that manufacturers' new focus on "natural" may be breathing life into beef jerky. Goodmark Foods last year brought out a natural Pemican beef jerky, and sales so far are up 25% on a year-to-year basis. Last June the privately owned Goodmark bought the Slim Jim label from General Mills and has put a Slim Jim Gold natural jerky on the market.

In the meantime Lowrey's brought out natural-style jerky called Denver Dan. It's too early to track its record, but observers believe it received good trade acceptance. ☐

Nuts: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Packaged Nuts—Regular	**59.21**	**$464.04**	**$393.95**	**17.79**	**59.28**	**$132.51**	**53**	**28.6**
Peanuts	16.22	127.08	92.46	37.44	15.58	34.82	16	27.4
Walnuts	14.00	109.75	88.15	24.50	13.70	30.62	7	27.9
Mixed Nuts	10.81	84.72	87.92	– 3.64	10.46	23.38	8	27.6
Pecans	5.65	44.29	44.68	– 0.87	6.32	14.13	7	31.9
Cashews	8.35	65.47	46.45	40.95	8.20	18.33	6	28.0
Almonds	4.18	32.73	34.29	– 4.50	5.02	11.23	9	34.3
Loose Bulk Nuts	**2.95**	**23.11**	**12.29**	**88.04**	**3.22**	**7.19**	**7**	**31.1**
Dry-Roasted Nuts	**24.32**	**190.62**	**173.01**	**10.18**	**23.51**	**52.55**	**18**	**27.6**
Peanuts	18.66	146.34	127.32	14.94	17.50	39.07	11	26.7
Walnuts	0.25	1.93	1.80	7.22	0.30	0.68	1	35.2
Mixed Nuts	1.97	15.40	14.20	8.45	1.98	4.44	2	28.8
Cashews	1.47	11.55	14.06	–17.84	1.53	3.43	2	29.7
Almonds	1.97	15.40	15.83	– 2.71	2.20	4.93	2	32.0
All Other Dry Roasted Nuts	2.46	19.25	17.60	9.37	2.21	4.95	3	25.7
All Other Packaged Nuts	**11.06**	**86.65**	**93.69**	**– 7.50**	**11.78**	**26.34**	**11**	**30.4**
Total	**100.00**	**$783.67**	**$690.54**	**13.49**	**100.00**	**$223.53**	**92**	**28.5**

% of total store volume . . . 0.41%

*Adjusted to reflect the latest update of Bureau of Census figures.

Low sodium salts away nut sales

Category increases 13% as nutrition-hungry shoppers opt for lo-salt and natural snack alternatives

The nut category enjoyed a healthy year in supermarkets.

Despite moderate declines in some subcategories—most dramatically cashews, down 18%—the category as a whole increased 13% in 1982 for a total of $783.6 million.

The strongest growth came in loose bulk nuts, up 88% to $23 million. Peanuts also enjoyed growth, up 33% to $127 million, as did walnuts, cashews and dry-roasted nuts, up 22%, 32%, and 21%, respectively.

Much of the growth seems to have come from shoppers searching for a healthy and natural snack alternative, and in line with this trend a good deal of the drama in this category came from the relatively new low- and no-sodium lines backed by the Fisher and Planters brand names.

Planters, which pushed its marketing accelerator to the floorboard in 1982, now has 75% of the unsalted market, while Fisher is making inroads with its new low-sodium line.

After three months on the market, Fisher's low-sodium nuts accounted for 0.72% of the salted nut category. Says a Fisher exec, "Normally, after a year, a new line should account for 1% or 2% of sales, so 0.72% in just three months is terrific."

Planters is not producing low-sodium nuts because they're not part of the company's marketing philosophy. "It's either salted or unsalted, with no in-betweens," says a spokesman.

But Planters is expanding its unsalted line by augmenting its dry-roasted unsalted peanut line (8¼-, 12½-, 16½- and 25-oz.) with 8-oz. dry-roasted unsalted mixed nuts and 7½-oz. unsalted dry-roasted cashews.

This month, Planters will go national with 16-oz. unsalted cocktail peanuts, 12-oz. unsalted mixed, and 12-oz. unsalted cashews.

The company has also extended its Bonus Pack, now on cocktail peanuts, to dry- and oil-roasted peanuts. Bonus Pack offers consumers 14½ oz. at the same price as 12 oz.

The supply side of peanuts has roller-coastered from famine to feast. The 1980 crop was ravished by drought, and 43% of the crop was lost. The industry was forced to import peanuts at higher prices to maintain shelf space.

The 1981 and 1982 crops were sufficiently large to recoup much of the market. In fact, last year's crop was 3.44 billion lb., compared to 1981's 3.98 million lb., which was just two points below the record.

However, the industry can't digest such bountiful feasts (including 1%-2% carryover). That's why growers are on a planned reduced-acreage program, the purpose of which is to produce on a scale more in line with consumption.

Walnuts: A record crop—232,000 tons, with 95,000 tons carryover—resulted in aggressive pricing, which has helped sales.

Sun-Diamond has just introduced a new line of 8-oz. opaque-packaged items: chopped walnuts and

chopped hazel nuts, both retailing at $2.99, and is poised to launch an aggressive new marketing plan.

Mixed nuts: Prices are down because the price of some of the components (especially cashews) are down. Mixed without peanuts has dropped from $4.75 to $4.40-$4.50, while mixed with less than 50% peanuts is down from $3.40 to $3.10.

Almonds: Somewhat like the sports manager who tries to compensate for his team's poor performance by saying, "Wait until next year," almond growers are saying, "Wait until the 1984 crop—it could be a record-breaker."

But 1982 was far from that, and 1983 is expected to be even leaner. Last year's 344 million shelled pounds fell short of 1981's 407 million lb.; 1983's crop is projected at 280 million shelled pounds.

But California was not alone. World supplies also had a shortfall. Spanish production plummeted from 125 million lb. to 66 million, and only Italy, with 55 million lb. came close to normal. California exports 60% of its crop, and because of foreign exchange rates, which were propelled by a strong United States dollar, other countries must pay more for California almonds. That put a damper on foreign sales.

With supplies down, the pressure for price increases will intensify—this following two years of stability. Fewer almonds to market also means fewer ad dollars because the ad budget is based on a 2¢-plus assessment for each pound.

But the industry isn't putting all its nuts in one tray. In 1982 the California Almond Exchange broke away from its traditional one-nut exclusivity to introduce dry-roasted pistachios, oil-roasted filberts and dry-roasted macadamia nuts—all in addition to its oil- and dry-roasted almond line.

Two years ago, the California Almond Exchange came out with dry-roasted unsalted almonds, but it hasn't extended the line. An almond executive explains: "Almonds taste better with salt. But almonds are heavy in nutrition, so you might say it's a trade-off for the consumer."

Cashews: In 1980: The Russians are coming! In 1982: The Russians have gone!

In a nutshell, that describes Russia's place in the cashew market. In 1980, the Soviet Union bought 800,000-900,000 cases of India's 1-million-case-crop. That kept prices high because India is the No. 1 supplier of cashews.

In 1982, the Soviet Union announced that it was changing its priorities and that cashews were no longer on its buying list. Political experts say that withdrawal from the cashew market was political—that the Soviet Union was miffed that India had purchased arms from France.

The result was lower prices. Whole grades in the 11-oz. containers dropped to as low as $3.99 from over $6 a year ago. Prices also dropped on halves and pieces (½ of halves). Meanwhile, sensing a marketing opening, China returned to the cashew export business after a three-year absence.

But China still has some quality problems to solve. Other countries into cashew production on a minor scale are Brazil and East Africa.

Brazils: Brazils are a small factor in supermarket sales, inasmuch as they are mostly used as a component in mixed nuts. Most Brazils are sold to confectionary manufacturers.

After four straight years of decreasing crops (from 55,000 metric tons in 1979 to 32,000 in 1982), the crop is scaling upward, and the cost to processors has dropped from $2.35 a pound to $1.70.

Filberts: Worldwide there are more tons of filberts (also called hazel nuts) than any other variety, with Turkey the No. 1 producer. Most Turkish filberts in supermarkets are sold shelled in the grocery department.

Last year, Oregon, which sells its filberts in produce, in-shell, lost ground in the harvest yield (15,000 tons in 1982 vs. 18,000 tons in 1981). However, with more acreage planted, Oregon filberts are expected to yield over 20,000 tons next year (under normal climactic conditions), with increased tonnage over the next two years. Even so, Oregon's production makes a small ripple in the filbert pond when compared to Turkey's 400,000 tons and Italy's 100,000 tons.

Pistachios: While Iran, the world's No. 1 producer of pistachios, is fighting a two-sided war (Iraq on one side and political instability on the other), the California pistachio industry is building a strong beachhead.

California has passed Turkey as runner-up in the pistachio sweepstakes, triggered by a record crop of 43 million lb. This harvest topped 1980's 26.2 million lb. crop, which had been a record. There are 28,400 acres in production out of a total of 37,000 acres of plantings.

To plant is one thing; to sell is another. The industry, through the California Pistachio Commission, is budgeting $1.3 million to promote California pistachios; $300,000 of this sum will be used for research, and the rest for TV and radio advertising in a six-week, four-city blitz. Baltimore and San Diego will be radio; Pittsburgh and Denver, TV. The theme: taste and nutrition—"it's fun to open and eat."

The commission will emphasize that California pistachios have a different taste—cleaner, crisper and higher in quality than Turkish imports—and will advertise in two epicurean magazines and develop POP material geared to produce.

Sunflower seeds: After the peanut drought of 1980, consumers discovered this sleeper subcategory. As a result, sunflower seeds now account for 6% of nut sales in dollar volume and 16% in case volume. One of their prime attractions is low price. ☐

Tobacco road fraught with curves

Cigarette sales flicker in the wake of 20% price hikes; retailers can expect a 3%-5% tonnage drop in 1983

Tobacco companies are still struggling to recuperate from the impact of year-end 1982's excise tax doubling.

Their weapons: aggressive couponing, heightened trade promotions and merchandising innovations. Several manufacturers are using new brands to carve out additional market segments, while others are putting big promotional dollars behind already successful brands.

Underlying this activity is an 8.1% drop in factory shipments during 1983's first quarter—caused in large part by extensive year-end stockpiling, as retailers acted fast to lessen their excise tax liabilities.

Aggravating this further is the 20% price hike, which knocked consumer demand flat: Cigarette consumption fell a stunning 5%-6% during the first half of this year, although industry sources believe it will level off to no more than 3% by the end of 1983.

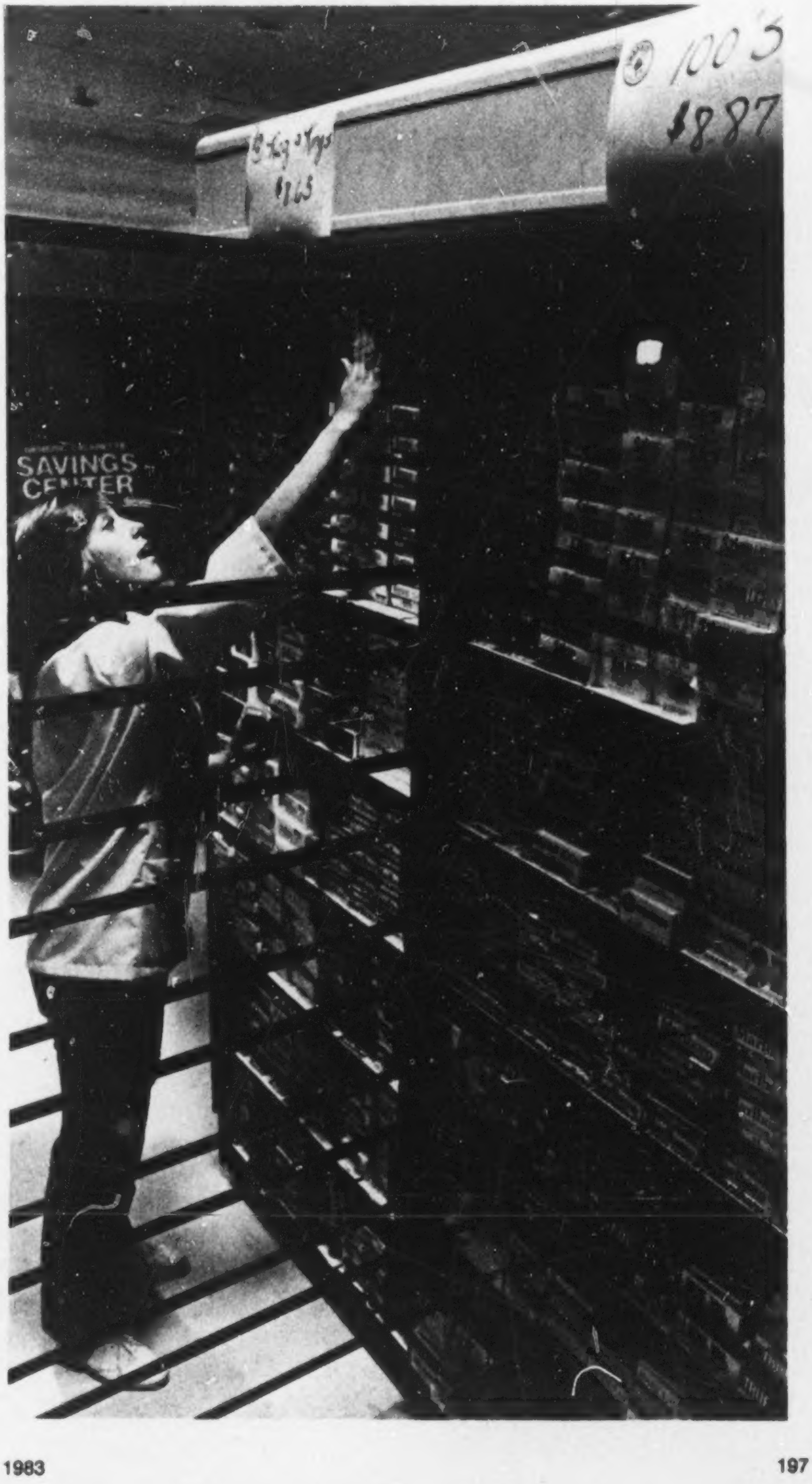
Despite this year's sluggish performance—the category's first dip in 13 years—retailers are maintaining historic high returns per sale thanks to steady gross margins. For the most part, supers spent the early part of this year patiently working off artificially high inventories; they did not turn cigarettes into loss leaders, a move that would have burned some expensively acquired brand images.

Indeed, major manufacturers indicate that shipments began an uptrend by April and should show no more than a 5% decline this year.

If the worst of this bout is behind the tobacco category, the industry still needs to find effective ways to counter consumer resistance to higher prices and the antismoking legislation being touted in many cities.

By the end of 1982, cigarette makers knew they were being severely tested: Unit sales grew just 1.2% last year, and per capita consumption reached its lowest level since 1957, down 2% to 189 packs, according to the Department of Agriculture.

Retailers have reason to wonder whether smokers will begin opting



Tobacco Products: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Cigarettes	**97.22**	**$7,509.41**	**$7,019.80**	**6.97**	**94.26**	**$1,057.44**	**130**	**14.1**
Low Tar	59.33	4,582.67	4,050.43	13.14	57.60	646.16	32	14.1
Filters, King Size	24.93	1,925.49	2,013.23	– 4.35	24.03	269.57	41	14.0
Filters, 100mm	9.97	770.20	716.11	7.55	9.75	109.37	52	14.2
Non-Filters, Regular Size	2.24	173.29	187.49	– 7.56	2.16	24.26	3	14.0
Non-Filters, King Size	0.75	57.76	52.54	9.94	0.72	8.09	2	14.0
Disposable Lighters	**0.72**	**55.84**	**52.99**	**5.38**	**2.11**	**23.68**	**9**	**42.4**
Other Tobacco Products	**2.06**	**159.82**	**116.40**	**37.30**	**3.63**	**40.61**	**123**	**25.4**
Cigars	0.70	53.91	40.60	32.78	1.09	12.18	56	22.6
Pipe & Cigarette Tobacco	0.57	44.29	37.06	19.51	0.91	10.19	39	23.0
Chewing Tobacco & Snuff	0.57	44.29	22.91	93.32	0.96	10.72	14	24.2
Pipes, Lighter Fluid & Accessories	0.22	17.33	15.83	9.48	0.67	7.52	14	43.4
Total	**100.00**	**$7,725.07**	**$7,159.19**	**7.45**	**100.00**	**$1,121.73**	**262**	**14.5**

% of total store volume . . . 4.01%

*Adjusted to reflect the latest update of Bureau of Census figures.

for alternative tobacco products or stop smoking altogether. Historically, price hikes have resulted in mere blips on tobacco's long-term growth curve. But the enormity of the latest boosts makes quick recovery elusive.

Nevertheless,tobacco turned in a credible 1982 in supers, climbing 7.45% to $7.72 billion, or 4.01% of total store sales. Cigarettes grabbed 97.22% of department volume, rising 6.97% to $7.51 billion. At the same time, chewing tobacco sales grew by 93%, and cigar and pipe tobacco volume climbed by a quarter.

More consumer money is being spent on no-frills smokes, which today claim a 2.5% industry market share overall, and a somewhat higher share in supermarkets.

An incredible 30% price gap between brands and no-names currently stokes the popularity of generics: that gap yawned even further when Liggett & Myers, makers of generic and private label cigarettes, ate about half the recent excise tax hike in a bold move to grab greater market share.

The tactic is working, in large part because L&M sets the same product specs for its generics as its name brands—which sets this line apart from most other no-frills items sold in supers.

Indeed, retailers are able to enjoy a unique profit opportunity with no-frills and private label smokes because their margins are roughly one-third better than the category as a whole: 15% on cartons and 24% on single packs, compared with the usual 12% on cartons and 18% on single packs.

As a result, says Jim Dowd, marketing director at L&M's Gary Tobacco unit, Kroger, Safeway and Winn-Dixie and many other chains are aggressively merchandising unbranded cigarettes.

The segment's profitability, says Dowd, is also enticing retailers to add extra price points for unbranded kings and 100s.

By introducing Century, R. J. Reynolds has yet another price point in mind. Touted as a quality cigarette aimed at value-conscious smokers, the new brand—with 25 cigarettes per pack and nine packs per carton—is being distributed this month in 33 states. Cartons will most likely be priced the same as 10-packs, and the lower number of packs per carton and tax considerations should result in higher-priced single packs.

Still, retailers who have to make room for new untested brands at the expense of proven sellers, and who already have to cope with branded and generic kings and 100s, may balk at a fifth price point for Century. Kroger's Dallas division has reportedly said no to carrying the brand.

For its part, RJR expects Century king, a slightly narrower cigarette than its flagship Winston brand, to appeal to a whopping 37% of smokers who smoke full-flavored and light nonmenthol brands. Century has 16mg tar, while its light packing has 10mg. Naturally, a Century success would result in extension of its brand family, although no timetable has been set so far.

Like RJR's Bright, Lorillard's Satin, Philip Morris' Players and Benson & Hedges' Deluxe Ultra Lights, Century's goal is to carve out a new market segment—in this case, one of value-conscious smokers. "The days of being a me-too and surviving are over," says one tobacco executive. "New brands must carry new virtues."

Whether other cigarette manufacturers follow the lead with varied pack sizes remains to be seen, although PM already markets a 25-cigarette pack abroad, and Lorillard used to. If that does happen, and if retailers start treating cigarettes as just another product line with several price tiers, the 210 packings now on the market may be joined by dozens of new entrants.

The net result could be heavy trading down, which could cut into gross profit dollars. The new packings would also aggravate an already tight space situation and would add price points that might cause cashier confusion.

Meanwhile, it appears that brand proliferation will proceed slowly this year as most cigarette makers wait for price problems and the recession to blow away before committing huge amounts of money to new brands.

Some retailers consider this a welcome respite from the mounting pressures of carrying so many brand styles, especially since the 10 best-selling brands in 1982 accounted for 74.4% of the nation's cigarette sales. According to John Maxwell, analyst at Lehman Brothers Kuhn Loeb, the 10 brands with the majority share are Philip Morris' Marlboro (19.3% market share), RJR's Winston (13.2%) and Salem (8.8%), Brown & Williamson's Kool (7.9%), PM's Benson & Hedges (4.9%), RJR's Camel (4.9%), PM's Merit (4.4%), American Brands' Pall Mall (4.3%), RJR's Vantage (3.9%) and Lorillard's Kent (2.8%).

With PM and RJR accounting for two-thirds of the nation's cigarette production, the two are neck-and-neck in the race for market leadership. Since RJR introduced Bright last fall, the brand has become the first flavored cigarette to garner success in this country in many years; within four months, the brand captured an annualized 0.7% market share. With a 1% share generating $150 million in retail sales, successful new brands make themselves felt quickly.

With Century aiming to break more new ground, RJR is rifle-shooting market segments that appear to be fertile.

Not to be outmaneuvered, PM's Benson & Hedges Deluxe Ultra Lights packings have already snared a 1.2% market share, says Maxwell. Trading off the established brand name's integrity, the elegantly packaged cigarette conveys an upscale appeal and has opened a new market niche of premium smokes at popular prices.

With the national debut of Players this April, PM once again tapped the taste of smokers who like to think rich. The 12mg tar kings, in jet black packs with striking graphics, are being backed by an aggressive campaign that's expected to help the brand capture more than a 1-point share by late 1984.

Lorillard's Satin, brought out on

Winston
Salem
Salem LIGHTS
Camel
CAMEL
CAMEL LIGHTS
BRIGHT 100's
VANTAGE
Marlboro
Marlboro LIGHTS
Newport
Satin
KENT III
TRUE
TRUE 100s

Valentine's Day after six months of test-marketing, has the strength of "the company's largest expenditure ever," says Richard Orcutt, senior vice president-sales. The 10mg brand with a tip that feels like satin has been making hay in the women's segment, which grew 20% in 1982. Snatching a 0.8% share, the brand surprised Lorillard with its strength in less urban areas.

In addition, Lorillard has boosted its Newport advertising this year; the brand has a 2.9% market share.

Inspired by RJR's success with low-tar filtered Camel, American Brands is aiming to revitalize Lucky Strike. Its new low-tar, filtered version has captured a 1% share in test markets, say company officials.

The mere handful of new brands, and the revitalization of old ones, comes at a time when virtually all established brands are extended to their limits. Manufacturers are pressing for new ways to enliven the category.

One trend is clear, however: Most new entries are centering on middle-ground smokes containing just 8-14mg tar. This is the range that seems to satisfy the greatest number of smokers seeking low tar. Sales of ultralow and very low tar cigarettes—9mg tar or less—were flat in 1982. And low tars (15mg or less), which today account for more than six smokes in 10, may be at consumption capacity. It's possible the segment's growth will be marginal this year, especially since there's renewed consumer interest in full-flavored cigarettes.

In-line gains: In terms of merchandising, in-line displays seem to be gaining favor among retailers. Perhaps because they afford greater merchandising flexibility and better control over store inventories, more retailers are opting for this approach.

PM says at least 6,500 supermarkets now merchandise in-line, nearly 2½ times the 1979 number. Certainly, retailers have incentive to sell in-line: American Brands offers a one-time allowance of $200 per store for converting to in-line, Brown & Williamson $150, Lorillard $150 and Philip Morris $100. Retailers who also use PM's Compact Impact program pick up an extra $12 a month per outlet.

Endcap merchandising is still a very viable option, however. RJR has developed a wraparound endcap display that builds an extra 3 ft. or 4 ft. of shelving immediately behind the endcap fixture. RJR says it provides greater display space and higher allowances than an endcap alone, and minimizes pilferage compared to in-line. The unit is large enough to stock a wide variety of brands and adds significant space to a prime impulse location.

Many retailers are also trying to limit their stock, concentrating primarily on the 114 brands currently drawing 95% of sales. To avoid tying money up in inventory, more supers are buying about 77 brands directly from manufacturers, then contracting with jobbers to fill in about 37 other brands that sell more slowly. This gives them the packings they need without the warehouse expense.

In addition, chains are beginning to require more frequent deliveries to avoid having to carry backroom stock.

Consumers are also balking at buying cigarettes in volume—single-pack sales now hover at the 40% level in some markets. Last year's concern about prices had already heightened their sales share to 35% from 30% in 1980. □

Pickles: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Pickles	**63.74**	**$321.55**	**$296.91**	**8.30**	**64.84**	**$ 88.58**	**69**	**27.5**
Dill	33.97	171.37	164.48	4.19	34.63	47.30	38	27.6
Sour	1.53	7.70	5.21	47.79	1.32	1.81	2	23.5
Sweet	22.52	113.60	102.54	10.79	22.87	31.24	23	27.5
All Other Pickles	5.72	28.88	24.68	17.02	6.02	8.23	6	28.5
Pickle Specialties & Relishes	**36.26**	**182.93**	**189.06**	**– 3.23**	**35.16**	**48.05**	**38**	**26.3**
Pimientos & Peppers	13.74	69.32	97.23	– 28.70	13.95	19.06	15	27.5
Relishes	12.98	65.47	68.92	– 5.00	12.79	17.48	14	26.7
All Other Pickle Specialties	9.54	48.14	22.91	110.13	8.42	11.50	9	23.9
Total	**100.00**	**$504.48**	**$485.97**	**3.81**	**100.00**	**$136.53**	**107**	**27.1**

% of total store volume . . . 0.26%

*Adjusted to reflect the latest update of Bureau of Census figures.

Pickles flat, but olives are ready to roll

Refrigerated pickles prop up category sales; olives climb, but erratic sales trends don't tell the whole story

The only good news for pickles in 1982 was kept on ice. It was the refrigerated variety that showed some spunk. While total pickles have stayed flat year after year, the ones in the refrigerator continue to show steady growth.

"It's the crunch," says one manufacturer. "That's what people want." "Or it could be the natural cross-merchandising," says a retailer. "We put them in the case with the cheese and lunch meats."

Vlasic, brand leader in pickles, reports a 12% increase in its refrigerated Deli-Dills for each of the past two years. And Claussen, leader in refrigerated pickles, notes a gradual increase over the past several years.

Dry pickles, however—the ones on the grocery shelf—have clung to the edge, staying about the same or falling slightly each year. Shifting gears against that slippage, Vlasic spent $5 million on advertising in '82—20% more than '81—and it worked. Total unit sales climbed 5% over '81.

Heinz is aiming more of its '83 ads at the consumer, and Pickle Packers International's Bill Moore says non-brand advertising will be more aggressive than ever. "For the first time we're aiming to stop the annual September sales drop," he explains. "December used to be lowest, but we started in 1960 to reverse that, and now December's the biggest sweet pickle month."

People's tastes are changing, too, Moore adds: "They're taking more to sweeter and hotter pickles."

Vlasic responded to that trend with a new variety, Old Fashioned Bread and Butter in a 24-oz. jar. "It's a different taste altogether," says Vlasic marketing vice president, Jim Dorsch—"a little sweet and a little tart at the same time." Vlasic is also catering to shoppers' quest for low- or no-salt foods with a new Half the Salt Pickle.

Following the sweet trend, Atkins Pickles in Arkansas brought out sweet salad cubes in 1982; the cubes, used in potato and chicken salad, have been "tremendously successful," according to the manufacturer.

Heinz greeted 1983 with a new line—peppers. Peppers, like pickles, are subject to regional taste," says Heinz Beth Adams. "So we're test-marketing them in military outlets across the country and overseas. That way we'll get a cross-section."

The new line includes three styles of hot peppers and three styles of mild/sweet in 16-oz. jars. The company also is expanding its relish line.

At the retail level, store managers are doing what they can to keep the consumer's eye on the pickle. One Hy-Vee manager, Mike Tetmeyer in Owatonna, Minn., features a "pickle of the week" in his Best Food Day ads.

Pickle Packers International says that pickles displayed in the salad or meat departments or on endcaps boost sales by as much as 400%. Hy-Vee store manager Rich Fawcett in

Olives & Vinegar: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Olives	**70.20**	**$240.44**	**$256.13**	**− 6.12**	**74.08**	**$70.61**	**41**	**29.4**
Black Ripa/Green Ripe, Whole, Pitted	28.78	98.59	83.00	18.78	29.89	28.49	15	28.9
Green, Pimiento-Stuffed	20.62	70.61	65.38	8.00	22.30	21.25	14	30.1
Green, Unstuffed, Whole, Pitted	5.06	17.33	56.53	−69.33	5.60	5.34	3	30.8
All Other Olives	15.74	53.91	51.22	5.25	16.29	15.53	9	28.8
Vinegar	**29.80**	**102.05**	**93.49**	**9.16**	**25.92**	**24.72**	**19**	**24.2**
White, Distilled	12.37	42.36	38.83	9.09	10.75	10.25	7	24.2
Cider	7.87	26.96	24.68	9.24	6.59	6.28	6	23.3
Wine & Herb	9.56	32.73	29.98	9.17	8.58	8.18	6	25.0
Total	**100.00**	**$342.49**	**$349.62**	**− 2.03**	**100.00**	**$95.33**	**60**	**27.8**

% of total store volume . . . 0.18%

*Adjusted to reflect the latest update of Bureau of Census figures.

Omaha can beat that: His pickle business jumps 20 times—or at least 500%—when he uses an endcap with tie-ins like paper plates and mustard.

Olives: California ripe olive sales stayed up despite a worst-yet '81 harvest that had packers juggling a short inventory for most of the year. And things perked up even more when packers began to tap the record '82 harvest. The last three months of '82 show a 25% hike over the same period a year before.

One olive spokesman believes the record harvest could reduce prices to retailers 5%-10% depending on freight levels.

Early California Olives did no advertising in 1982 "because we didn't have enough olives to sell," says national sales manager Bob Dowd. His company *is* advertising this year. And Lindsay, according to marketing manager Vione Morton, launched its most aggressive ad campaign ever in 1983 with print ads in consumer magazines, trade ads, radio commercials and newspaper couponing in combination with radio spots.

A 1982 "brand credit" amendment to the Federal olive marketing order spurred all California growers to do more advertising this year. It provides that a certain percentage of monies paid into the market order by all growers will be refunded to those doing brand advertising.

Meanwhile the California Olive Industry is tying in with other products in nonbrand ads aimed at the consumer. It's partnering up in the women's magazines with such names as Success Rice, Campbell's Chunky Soups and Bacos.

Lindsay wasn't daunted by 81's harvest. It continued to advertise in '82 and by early '83 had brought out four new items—wedged and diced ripe and green olives. "They're good movers, just like chopped and sliced," says Morton. "They go on the shelf for well under $1." Morton credits pizza parlors with making consumers aware of chopped and sliced olives.

The Spanish-style green olive category, historically flat, is beginning to move. Green salad olives have grown 15%-20% in the past five years, and importers attribute that climb to the preponderance of restaurant salad bars. "People found out broken olives taste as good as whole ones—and they're cheaper," says Ed Culleton, president of the Green Olive Trade Association.

Pimiento-stuffed olives are up this year, too, and the big brand, Durkee, is leading the way. Durkee says it imported at least 10% more last year than it did in 1981. The company put a lot of money into trade ads in 1982 and pulled in new accounts, according to a company source. This year the manufacturer is aiming at the consumer; national TV ads on game shows such as "Family Feud" are part of that campaign. ☐

Treats, moist food claw out biggest gains

Despite relatively flat sales, increased consumption sparked tonnage growth; even the massive dry category had winners

Gaines burgers
MILK-BONE
Dog Biscuits
ALPO
BEEF FLAVOR

Mention "soft and dry" to supermarket retailers of pet food, and they know right away you're not talking about new doggie deodorants.

"Soft and dry" is the marketing term for dog and cat food products that combine the convenience and bulk advantages of dry pet foods with the texture and "meaty" advantages of softer, moist pet foods.

These new hybrid semisoft, semidry products like Praise and Happy Cat account for substantial growth in the massive $4.2 billion pet products category, according to retailing and manufacturing sources.

At a time when total category sales are relatively flat, up a bare 2.4% in 1982, the new soft/dry line extensions are said to be selling exceptionally well. Ralston Purina's Praise soft/dry dog food, which went national in February of this year, already has an estimated 5% share of all dry sales, while their soft/dry cat food Happy Cat, which also rolled nationally in February, is said to be selling "very strong," partly as a result of aggressive TV ads and heavy couponing.

Semimoist cat foods, semimoist dog food sold in packages under 2-lb. and dog/cat candy and specialty items were also high-growth areas.

According to *CSA*'s annual analysis of product category sales, dollar volume of 2-lb. or less packages of semimoist dog food through supermarkets increased 28% to $77 million in 1982, while sales for semimoist cat food products went up 26% to $169 million.

Sales of candy and pet food specialties went up 24% to $341 million.

In the treat category, at least part of the impetus for growth stemmed from Alpo's rollout of its new Beef Bite Treats into markets in West, mid-Central and Northeast regions of the country. Alpo's entrance into the category caused the more established brands like Jerky Treats and Nabisco's Milk Bone to fight back with promotions and advertising designed to protect their market share.

New products also captured most of the attention in the relatively flat higher-tonnage categories of dry cat and dog foods. Gaines reported that most of its growth was coming from sales of its Bacon and Liver and Beef Gravy Train line extensions, while Ralston reported that its fastest-growing segment was large sizes of dog food, up 6% in 1982 over 1981.

"Dry is where the strength of the market has been," says Gaines' pet food division president Ralph Cobb.

Even though sales of dry dog food fell off 11% in 1982, according to *CSA*'s tracking of category movement, tonnage in the segment is so huge that growth is still attainable. Currently, dry dog food generates about 70% of the overall dog food category movement.

Cobb believes tonnage is going to increase over the next several years, particularly because the tight economy continues to make dry dog food the category's most economical option, but also because recent technological improvements have resulted in a product that seems to hold more appeal for the ultimate consumers: the dogs themselves. "The improvements have been so dramatic," says Cobb, "That we have simply increased the average dog's willingness to consume dry foods."

Pet Products: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Dog Food Canned	16.70	$ 700.88	$ 688.21	1.84	14.92	$139.52	66	19.9
1 lb. & Under	14.18	594.98	537.89	10.61	12.60	117.81	58	19.8
Over 1 lb.	2.52	105.90	150.32	−29.54	2.32	21.71	8	20.5
Dog Food Semi-Moist	7.44	311.93	282.95	10.24	6.48	60.59	23	19.4
Packaged—Under 2 lb.	1.84	77.02	60.07	28.22	1.61	15.02	5	19.5
Packaged—2 lb. & Over	5.60	234.91	222.88	5.40	4.87	45.57	18	19.4
Dog Food Dry	23.22	974.29	1,020.92	− 4.57	20.38	190.55	71	19.6
Under 10 lb.	9.22	387.02	357.38	8.29	8.32	77.79	26	20.1
10 lb. & Over	14.00	587.27	663.54	−11.48	12.06	112.76	45	19.2
Cat Food	35.61	1,494.18	1,461.47	2.24	33.87	316.49	134	21.2
Canned	22.16	930.01	918.37	1.27	20.71	193.44	84	20.8
Dry	9.41	394.73	408.70	− 3.41	9.12	85.26	30	21.6
Semi-Moist	4.04	169.44	134.40	26.07	4.04	37.79	20	22.3
Dog/Cat Candy & Specialties	8.12	340.81	275.97	23.50	9.55	89.29	42	26.2
Bird Food	1.47	61.62	70.69	−12.82	2.50	23.42	10	38.0
Pet Non-Food Items	7.07	296.53	272.43	8.85	11.45	107.05	68	36.1
All Other Pet Food	0.37	15.40	22.91	−32.77	0.85	7.98	5	51.8
Total	100.00	$4,195.64	$4,095.55	2.44	100.00	$934.88	419	22.3

% of total store volume . . . 2.18%

*Adjusted to reflect the latest update of Bureau of Census figures.

In the canned segment, however, overall sales are flat, and the short-term outlook seems to portend they will remain that way. Sales were only up 2% to $688 million in 1982, and large-sized cans—those over 1 lb.—actually experienced a dramatic decline of 30%.

At least two manufacturers, Alpo and Kal Kan, hope to rejuvenate the category with several new products now in test, but even the most optimistic predictions call for a gradual shake-out in the category.

"We see a number of old competitors dropping out," says one source for Alpo. "Many of the secondary competitors lost a lot of share in 1982, and we think the market will probably wind up with only three or four major players."

The same pattern of a relatively flat dry segment and a more upwardly mobile moist segment held true for cat food sales in 1982. All dry cat food sales were down about 3% to $395 million, while moist sales were up 26% to $169 million.

Kal Kan, which rolled out its new dry cat food Crave in 1982, called it "our sole source of optimism for continued growth." Crave, sources say, now has an approximately 8% market share and is ranked fourth among dry cat foods.

Ralston Purina, which has been steadily promoting its leader, Thrive, reports "steady incremental volume increases."

In the canned cat food segment, gourmet was the big word in 1982. Canned cat food sales were also flat in 1982, up just 1% to $930 million, but manufacturers and retailers reported that on a tonnage measurement, volume for the premium and gourmet segments was up 5%-7% over last year.

The trend away from canned maintenance cat food also continued. Apparently the commercials featuring a very pampered Morris the Cat are solidly grounded in reality.

Small sizes also continue to sell well in the canned cat food line. Several sources say they felt customers were more attracted to the smaller 3-oz. sizes because they require no refrigeration and they don't generate leftovers. One manufacturer said he believes the market for 3-oz. sizes will continue to escalate just as the market for 6-oz. cans did in the late 60's.

Accessories: Pet nonfood items—accessories like collars and dog and cat toys—were also a bright spot in 1982. Sales for that segment increased nearly 9% to $296.5 million. Manufacturers say supermarket retailers now claim about 30% of all pet nonfood sales, up 2% over 1981.

With the flea problem intensified in 1982, partially because of tightened E.P.A. regulations on the use of pesticides, collar sales through food stores shot up 15%-20%. Sergeant's also managed to challenge category leader Hartz Mountain for first place. "When Hartz came out with its reflecting collar last year," says a Sergeant source, "it segmented its own business. We managed to increase Sentry 5's share enough to take the lead."

Sergeant's was also able to increase shampoo volume 50% due to the effects of the recession. Consumer reluctance to pay veterinarians for services they believed they could perform themselves with commercially available shampoos and powders helped the sales jump.

Cat litter giant Lowe's controlled most cat litter sales last year, and established its new Tidy Cat 3 as the best seller in the cat litter box filler market in only one year.

In what is now a $211 million industry, margins run between 28% and 30% while turns sometimes hit 35 annually. During 1982, 61% of cat box filler was sold through food stores. □

Household Supplies: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Soaps & Detergents	50.52	$3,462.02	$3,371.68	2.68	41.38	$ 623.83	242	18.0
Laundry & Ironing Aids	13.74	941.56	940.10	0.15	12.77	192.51	127	20.4
Cleansers	20.00	1,370.98	1,214.50	12.88	22.53	339.60	198	24.8
Waxes & Polishes	4.05	277.22	279.70	− 0.88	5.59	84.22	79	30.4
Cleaning Implements	5.48	375.47	341.93	9.81	8.91	134.27	97	35.8
Miscellaneous	6.21	425.54	381.36	11.58	8.82	132.92	102	31.2
Total	100.00	$6,852.79	$6,529.27	4.96	100.00	$1,507.44	845	22.0

% of total store volume . . . 3.56%

*Adjusted to reflect the latest update of Bureau of Census figures.

Labor-saving items chalk up fastest growth

A sales surge of 13% for automatic bowl cleaners and new 'miracle' products shines up a flat category image in '82

While most of the traditional lines in the maturing household supplies category contributed little growth in 1982, new products offering today's harried consumers a break from scrubbing toilet bowls and other small unpleasantries cleaned up.

Bathroom bowl cleaners, particularly in-bowl automatic cleaners requiring no scrubbing, sparked 13% sales growth in the cleansers segment, the brightest spot in a generally flat sales picture. Inflation and sales increases caused most of the category's 4.7% overall growth.

The success of convenience-oriented household products is no mystery. The story is becoming a common one: More women are working, more men are grabbing a mop to help tidy up the family fortress, fewer women or men have time to clean house the old-fashioned way.

Spiraling consumer demand for new miracle products continues to force repositions and reformulations in the $6.8 billion household supplies category dominated by Procter & Gamble, Colgate-Palmolive and Lever Brothers. P&G, which holds one-third of the market, is in the midst of testing or rolling out three new heavy-duty laundry detergents, a new "beauty bar," and a dishwashing detergent with abrasives, and has just repositioned its 15-year-old Biz for the second time.

In a mature and generally stabilized household supplies market, two growth areas to watch are room deodorizers, which grew 28% last year, and bathroom bowl cleaners, up 11%.

Backed by an estimated $15 million advertising campaign, Procter & Gamble is testing a hypochlorate-based bowl cleaner, Brigade, in selected East Coast markets. A similar bowl cleaner, Bully by R. T. French, has already rolled out. And American Home Products introduced Sani-Flush Tank II last March.

Sweet smells were in the air and at successful bottom lines for aerosol spray manufacturers last year. Sales grew 48% in a field historically dominated by Johnson's Glade. Competition is on the horizon with Liquid Gold's Touch of Scent.

Solid room deodorizers also grew 16%, helped by new entries from Sterling Drug's Pretty as a Picture and Alberto-Culver's Mr. Culver's Sparklers.

"Even sales outside of the household products area indicate a lot of

Soaps & Detergents: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Liquid Soaps	**1.67**	**$ 57.76**	**$ 47.68**	**21.14**	**2.62**	**$ 16.35**	**15**	**28.3**
Bar Soap	**18.35**	**635.41**	**612.12**	**3.80**	**21.26**	**132.65**	**70**	**20.9**
Face Size	5.56	192.55	178.64	7.79	6.14	38.32	17	19.9
Bath Size	12.79	442.86	433.48	2.16	15.12	94.33	53	21.3
Hand Cleaners	**0.39**	**13.48**	**24.68**	**– 45.37**	**0.54**	**3.37**	**6**	**25.0**
Children's Bubblebath	**0.22**	**7.70**	**5.21**	**47.79**	**0.37**	**2.32**	**2**	**30.1**
Soap Powders/Flakes/ Washing Sodas	**1.00**	**34.66**	**28.22**	**22.82**	**0.95**	**5.93**	**2**	**17.1**
Automatic Dishwasher Items	**9.78**	**338.88**	**300.65**	**12.72**	**11.30**	**70.52**	**19**	**20.8**
Detergents	9.34	323.48	286.59	12.87	10.68	66.64	17	20.6
Rinses	0.44	15.40	14.06	9.53	0.62	3.88	2	25.2
Heavy-Duty Detergents	**49.74**	**1,721.38**	**1,734.00**	**– 0.72**	**41.94**	**261.66**	**75**	**15.2**
Tablets	0.06	1.93	1.89	2.12	0.08	0.48	1	24.9
Powder, Controlled Suds	20.10	695.10	693.62	0.21	17.39	106.44	33	15.6
Powder, High Suds	16.63	575.72	649.38	– 11.33	12.27	76.57	24	13.3
Liquids	13.01	450.56	391.00	15.23	12.28	76.60	18	17.0
Light-Duty Detergents	**17.35**	**600.76**	**573.19**	**4.81**	**18.91**	**117.98**	**48**	**19.6**
Powder	1.28	44.29	19.37	128.65	1.25	7.80	3	17.6
Liquid	16.07	556.47	553.82	0.48	17.66	110.18	45	19.8
Laundry Bar Soaps	**0.11**	**3.85**	**5.21**	**– 26.09**	**0.19**	**1.19**	**1**	**30.9**
Special-Purpose Laundry Detergents	**1.33**	**46.21**	**38.83**	**19.01**	**1.84**	**11.46**	**3**	**24.8**
Total	**100.00**	**$3,462.02**	**$3,371.68**	**2.68**	**100.00**	**$623.83**	**242**	**18.0**

% of total HHS volume . . . 5.52%

*Adjusted to reflect the latest update of Bureau of Census figures.

activity in the air care field. Sales of sachets and scented candles are way up," says Lana Hess, a consultant for Charles Kline & Co.

Heavy-duty detergents: Representing more than half of all household cleaning products sold in supermarkets, soaps and detergents, provide a solid anchor. And plagued by chronic sluggishness in sales—up 2.7% last year—the segment seems about as difficult to budge as an anchor mired in mud.

Perennial leader of the $1.72 billion heavy-duty detergent field, P&G hangs onto almost half of the market with the top five sales producers—Tide, Cheer, Bold 3, Oxydol and Era. While these mainstays provide a steady $800 million-plus in sales, real activity comes from new convenience-oriented products.

P&G's new entry into the concentrated low-sudsing granular laundry detergent field, Ariel, which has been positioned against C-P's Fresh Start, has been in limited distribution for over a year. Grabbing the leadership spot in the granular field with a $14.4 million ad campaign during its launch year of 1981, Fresh Start, C-P's strongest entry in this subcategory, has stabilized with about 3.5% of the entire field.

P&G also rolled out Era Plus with enzymes last year after substantial testing in Minnesota and the Dakotas, and is continuing its Midwest and Northeast rollout of Solo, a liquid detergent and fabric softener.

Detergents with built-in fabric softeners bear watching in 1983, with market observers predicting continued growth for Texize's Yes and C-P's Fab with fabric softener. The product attracts the consumers interested in cutting down a two-step operation for one, even if the cost is greater.

While sales for heavy-duty detergent powders have been flat, liquids have soared. Sales for liquid heavy-detergent, led by Lever's Wisk, grew 15% last year.

Light-duty dishwashing detergent: The country must still wait a while longer for P&G's Cinch, an automatic dishwashing detergent with abrasives. P&G has already cornered the market with Cascade, the automatic dishwashing detergent leader, and with the top three light-duty liquids, which together hold a 43% market share.

P&G began testing Cinch over two years ago, and expanded from its middle America test sites into the northwestern states of Oregon, Washington and Alaska last fall. Price for Cinch is "competitive' with other automatic dishwashing compounds, according to a P&G spokesman, leaving only the impact of the abrasives as an unanswered market question.

Preferring to call the added abrasives "built-in scrubbers," P&G notes that the American Fine China Guild has endorsed its product as safe for all dishes.

Meanwhile, Lever jumped into the automatic dishwashing compound field with Sunlight, a companion product to its lemon-scented light-duty detergent launched successfully last year. Testing of Sunlight automatic began last fall in Arizona.

Bar soaps: Inflation again outpaced the 3.8% sales growth for bar soaps. Led by Zest's 8% share of market, P&G dominates this mature product area with the top five sellers. The weak sister of the big five, Camay, will get some direct competition from a new sister soap P&G hopes soon to add to its fold.

Test-marketing began in September in Kansas, Missouri and Indiana for Monchel, a shell-shaped "beauty bar." Priced as a premium soap, Monchel is similar to Camay. There's one key formulation difference, however, in the type of moisturizer used. Camay contains coconut butter, while Monchel contains glycerelle, a substance P&G claims is identical to the skin's natural moisturizers.

Fabric softeners: With fabric softeners being built into more heavy-duty detergents like Texize's fast-moving Yes and C-P's Fab with fabric softener, it's not surprising that the kingpin of the laundry aid segment didn't bowl anyone over last year. Fabric softeners achieved scant growth of less than 1%.

With ad support close to $30 million annually, P&G continues to dominate the field. Bounce and Downy together grab over half of all sales. Backed by a national television campaign, Bounce's new "unscented" sheets should further strengthen P&G's hold.

Lever, meanwhile, has been testing Snuggle in Milwaukee. Positioned against Downy, the liquid fabric softener has met all sales projections so far, according to Lever.

Bleach: Clorox continues to dominate the $325 million bleach field, but should get some stiffer competition this year in the growing all-fabric segment. With new packaging and saturation television advertising supporting its second repositioning since it was introduced, P&G's Biz is providing aggressive competition for Clorox 2.

When Biz was first marketed in 1968, P&G called it a presoak. Without any change to the product's formula, P&G began marketing Biz as a detergent booster in 1974. This year will mark the product's first full year as an "all-fabric bleach."

Floor waxes: Consumer convenience again plays a key role in the success of floor waxes. Despite surprising strength from Lehn & Fink's Perk, which has replaced Johnson's Brite as the no-wax leader, S. C. Johnson & Son continues to shine at the bottom line. Led by Future, Johnson controls more than half of the $82.8 million market.

Advertising continues to propel this segment. In 1982 national brands spent almost $300 million a year in advertising and promotion costs. The top 10 manufacturers of household cleaning products now control three-fourths of the market, while the generic craze seems to have bottomed out at about a 7% share. ☐

Cleansers: 1982 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1982 Dollar Volume (Millions)	1981 Dollar Volume* (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Scouring Powder	**8.99**	**$ 123.23**	**$ 134.40**	**– 8.30**	**6.67**	**$ 22.67**	**10**	**18.4**
General Household Cleaners	**22.19**	**304.22**	**279.31**	**8.92**	**19.81**	**67.23**	**29**	**22.1**
Liquid	17.13	234.91	217.57	7.97	15.30	51.92	24	22.1
Dry	2.39	32.73	28.22	15.98	1.85	6.28	2	19.2
Aerosols	2.67	36.58	33.52	9.13	2.66	9.04	3	24.7
Ammonia	**2.25**	**30.81**	**28.22**	**9.18**	**2.30**	**7.83**	**8**	**25.4**
Special Purpose Cleaners	**44.10**	**604.59**	**532.09**	**13.63**	**46.39**	**157.59**	**84**	**26.1**
Drain Cleaners & Lye	4.63	63.54	58.30	8.99	4.38	14.87	8	23.4
Bathroom & Bowl Cleaners	15.87	217.58	196.34	10.82	16.91	57.44	33	26.4
Glass Cleaners	6.46	88.57	88.39	0.20	6.28	21.34	11	24.1
Spot Removers & Cleaning Fluids	2.11	28.88	19.37	49.10	2.35	7.97	4	2[illegible].6
Other Special-Purpose Cleaners	11.38	155.96	123.78	26.00	12.67	43.05	22	27.6
Oven Cleaners	3.65	50.06	45.91	9.04	3.80	12.92	6	25.8
Deodorizers/Disinfectants	**22.47**	**308.08**	**240.48**	**28.11**	**24.83**	**84.37**	**67**	**27.4**
Room Sprays—All Types	9.55	130.93	88.39	48.13	9.71	32.99	23	25.2
All Other Deodorizers	12.92	177.15	152.09	16.48	15.12	51.37	44	29.0
Total	**100.00**	**$1,370.93**	**$1,214.50**	**12.88**	**100.00**	**$339.69**	**198**	**24.8**

% of total HHS volume . . . 20%

*Adjusted to reflect the latest update of Bureau of Census figures.